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ABSTRACT

This teaching guide is designed for use in implementing the first level of a comprehensive entrepreneurship curriculum entitled: A Program for Acquiring Competence in Entrepreneurship (PACE). Designed for use with secondary students, the first level of PACE consists of 18 lessons that introduce students to the concepts involved in entrepreneurship and help them become aware of entrepreneurship as a career option. The guide contains the following materials: an introduction to PACE, instructions for using the program, its objectives, a description of the program's going-into-business project, teaching outlines for each of the program's 18 units, transparency masters, handouts, model activity responses, model assessment responses, and a list of selected curriculum resources. Included in the teaching outlines are series of objectives and teaching suggestions for conducting lessons on the following topics: understanding the nature of small business, determining one's potential as an entrepreneur, developing a business plan, obtaining technical assistance, choosing a type of ownership, planning for marketing strategy, locating the business, financing the business, dealing with legal issues, complying with government regulations, managing the business, managing human resources, promoting the business, managing sales efforts, keeping business records, managing finances, managing customer credit and collections, and protecting the business. (MN)

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PACE (Revised)

Instructor Guide

Level 1

Developed by

M. Catherine Ashmore
and
Sandra G. Pritz

The National Center for Research in Vocational Education
The Ohio State University
1960 Kenny Road
Columbus, Ohio 43210

1983

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For further information contact:

Program Information Office
National Center for Research
in Vocational Education
The Ohio State University
1960 Kenny Road
Columbus, Ohio 43210

Telephone: (614) 486-3655 or (800) 848-4815
Cable: CTVOCEDOSU/Columbus, Ohio
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FOREWORD

Traditionally vocational education has been geared primarily to preparing students for employment—to preparing employees. Yet there is another career path available; students can learn how to set up and manage their own businesses. They can become entrepreneurs. Those adults who have already become entrepreneurs can learn the skills necessary to make their businesses thrive.

Vocational education, by its very nature, is well suited to developing entrepreneurs. It is important that entrepreneurship education be developed and incorporated as a distinct but integral part of all vocational education program areas. A Program for Acquiring Entrepreneurship (PACE) represents a way to initiate further action in this direction.

This comprehensive entrepreneurship curriculum was originally developed by the National Center for Research in Vocational Education in 1977. PACE has been available for several years in its original form. Testing and feedback from the field, as well as need for updating, were the reasons for this revised edition of PACE. The revision of this program is testimony to the dynamic nature of the body of knowledge about entrepreneurship.

The strength behind this entrepreneurship program is the interest and involvement of the following educators and entrepreneurs, the revision authors:

Author	PACE Unit
Dr. James Burrow University of Northern Iowa	Planning the Marketing Strategy Promoting the Business
Mr. Gary Bumgarner Mountain Empire Community College	Complying with Government Regulations Locating the Business
Mr. Richard Clodfelter Virginia Polytechnic Institute	Managing the Business Protecting the Business
Dr. Rod Davis Ball State University	Financing the Business Managing Human Resources
Dr. Vivien K. Ely Virginia Commonwealth University	Developing the Business Plan Obtaining Technical Assistance
Ms. Lee Hakel Organizational Research and Development	Managing Human Resources
Dr. Donald Kohns University of North Dakota	Managing Customer Credit and Collections Managing the Finances

Author	PACE Unit
Dr. Carolyn G. Litchfield Memphis State University	Dealing with Legal Issues Keeping the Business Records
Ms. Patty Russell Patty Russell Marketing Media Company	Determining Your Potential as an Entrepreneur Understanding the Nature of Small Business
Mr. Dan R. Spillman The Ohio State University	Choosing the Type of Ownership Managing Sales Efforts

Special recognition is extended to M. Catherine Ashmore, Research Specialist, and Sandra G. Pritz, Program Associate, who directed this effort. Appreciation is also expressed to Linda A. Pfister, Associate Director, and to the many National Center staff members and consultants who assisted on the project.

We appreciate the extensive efforts of all involved in revising PACE to reflect the most comprehensive approach available for entrepreneurship education. The possibilities for use of this curriculum at three different levels of experience add further challenge for leadership among vocational educators at the secondary, postsecondary, and adult levels.

Robert E. Taylor
Executive Director
The National Center for Research in
Vocational Education

INTRODUCTION TO PACE (Revised)

A Program for Acquiring Competence in Entrepreneurship (PACE) is a modularized competency-based program of instruction. PACE evolved out of the need for new materials to assist in the development of entrepreneurs and the need for a flexible and adaptable program geared to a variety of student requirements, educational settings, and stages of individual career development. Several premises influenced the development of PACE:

1. Entrepreneurship education is basically lacking in our schools. The entrepreneurship education that does occur is infused into existing courses and programs in the vocational disciplines.

2. Generally, educators prepare individuals to be employees, not employers. There is a need for a program to help educate students to be employers.

3. Career education has done little to acquaint individuals with entrepreneurship as a career option.

4. The content of an instructional program must be based on research findings.

5. Certain learnings are generic and basic to entrepreneurship regardless of the type of business. There are also some specialized tasks required by each type of business.

6. Training to be an entrepreneur includes preparation in three major areas: (1) awareness of what it takes to become an entrepreneur, (2) knowledge of what is needed to establish a business, and (3) application of entrepreneurship principles to organizing and managing a business.

7. Established and available instructional materials from governmental and reputable commercial publishers provide the major resource for day-to-day classroom instruction.

8. An instructional program is useful only if it is flexible enough to be used in a variety of learning settings.

9. Instructional materials must be adaptable to a variety of teaching/learning styles.

10. A viable instructional program includes materials adequate for instructor/student planning, and also resources for student learning.

11. Learning is best accomplished when it is a process of progression from the simple to the complex and when it meets present student needs.

Each level of PACE has a set of instructional units. The units deal with a competency or a set of competencies. Each unit is learner centered with opportunities for instructor enrichment and facilitation. All units are self-contained and are independent of each other. They are, however, sequenced in a logical progression of topics for a person considering entrepreneurship. All units follow the same format and include the following:

- Objectives
- Preparation
- Overview
- Content
- Activities
- Assessment
- Notes and sources

PACE is available at three levels of learning. Each level progresses from simple to complex concepts. The three levels of learning pattern is based on the belief that student achievement is greater when learning is sequenced from basic, fundamental concepts to more advanced, complex skills in an organized fashion and when it meets the present needs of the students. The three levels of PACE are described in the following chart.

Three Levels of PACE

Level 1 An introduction or orientation to entrepreneurship topics; allows students to become familiar with the concepts involved and to develop an awareness of entrepreneurship as a career option.

Target audience: secondary level

Possible settings: vocational programs
career education courses

Length of units: approximately one hour of class time

Reading level: 7th grade

Activities: short-term application activities

Level 2 An opportunity to learn about and try out entrepreneurship ideas enough to make a preliminary assessment of how they relate to personal needs. Knowledge oriented; detailed explanation of the principles. Planning oriented; how to find information and use techniques. Venture oriented; encouragement for dreaming about or for creating a possible future business.

Target audience: advanced secondary level
beginning postsecondary level
adults without previous knowledge about the area

Possible settings: vocational programs
adult education classes
all occupationally oriented courses

Length of units: approximately two hours of class time

Reading level: 9th grade

Activities: applications using existing businesses as sources of information

Level 3 Emphasis on policies and strategies for managing your own selected business; skill building; planning in detail and preparing for implementation. Assumes previous knowledge and experience.

Target audience: postsecondary level
advanced secondary level
adults wanting training or retraining for application

Possible settings: all occupationally oriented courses
continuing education

Length of units: approximately three hours of class time

Reading level: 10th grade

Activities: actual application of a business plan

HOW TO USE PACE

Although PACE is designed in individualized competency-based units, the depth of your students' experience with the program will depend to a large extent on the facilitation and enrichment you can provide. The materials provide for flexibility in implementation—only you can decide how to use them to best meet the needs of your students, individually and as a group.

Since PACE is available at three levels (described previously), you may have chosen one or more levels for your classroom. If you have individuals in your class who are not ready for the level(s) you have or who could go further, you will want to provide supplementary assistance. Additional resources listed in the *Instructor Guide* and in the *Resource Guide* may be helpful.

It would be a good idea at the outset to go over the *Resource Guide's* directions on HOW TO USE PACE with your students. Here are some supplementary notes for you, based on the materials provided in this *Instructor Guide*:

- Use the objectives as a pretest. If a student feels able to meet the objectives before using the unit, ask him or her to read the assessment questions and do a self-assessment. Afterward, if the student feels prepared, go ahead with the assessment.

- Duplicate the glossary from the *Resource Guide* to use as a handout, if you wish.

- Use the teaching outlines provided in this *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists the objectives with the corresponding headings (margin questions) from the unit. Teaching suggestions for these topics are listed on the right side wherever the authors had a suggestion to include. Space is also available for you to add your own ideas. Try to increase student involvement in as many ways as possible to foster an interactive learning process.

- Use the transparency masters to help lead class discussions as desired.

- When your students are ready to do the activities, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship. Help your students find out if their responses to objective types of activities are correct. Model activity responses for these have been provided wherever possible to assist you.

- Assess your students on the unit content when they indicate that they are ready. You may choose written or verbal assessments according to the situation. Model responses to the assessment questions are provided for each unit. While these are suggested responses, others may be equally valid. Give your students guidance on whether they should go on to another unit.

GOING INTO BUSINESS

A comprehensive project is provided to integrate all the topical units, and you may wish to involve students in the all-units project as they move along through the units. This enhances the continuity of the program. Another alternative is to let this project be the culminating experience at the end of the program, which tends to reinforce retention of all the topical areas and to encourage multi-topic application of the skills learned.

The last portion of the *Instructors' Guide* provides a list of selected curriculum resources which are available to use as a supplement to PACE (Revised).

Your implementation of PACE in your classroom is an important step in increasing the available options for your students as they plan their futures. If they choose to pursue entrepreneurship, they will do so with a heightened awareness of what it entails, increased knowledge and skills to guide their efforts, and a solid basis for managing their businesses.

OBJECTIVES OF PACE (Revised)

Unit 1 - Understanding the Nature of Small Business

1. Define a "small business."
2. Identify the different types of small businesses.
3. Describe how small businesses contribute to the American way of life.
4. Describe what role small businesses play in the American economic system.
5. Identify the major factors contributing to the success of a small business.

Unit 2 - Determining Your Potential as an Entrepreneur

1. Define entrepreneurship.
2. Recognize the personal qualities and skills needed to be a successful entrepreneur.
3. Compare the advantages of owning a business with the advantages of working for someone else.
4. Assess your own ability to be a successful entrepreneur.

Unit 3 - Developing the Business Plan

1. Identify the reasons for planning for entrepreneurship.
2. Identify the components of a business plan.
3. Complete a business plan worksheet.

Unit 4 - Obtaining Technical Assistance

1. Discuss how technical assistance can help the entrepreneur.
2. Identify the types of technical assistance needed by the entrepreneur.
3. Know where to find technical assistance.

Unit 5 - Choosing the Type of Ownership

1. Describe sole proprietorships, partnerships, corporations, cooperatives, and franchises.
2. Identify examples from your own community of each of the types of business ownership.
3. Describe the advantages and disadvantages of proprietorships, partnerships, corporations, franchises, and cooperatives.

Unit 6 - Planning the Market Strategy

1. Discuss the economic concepts that influence marketing decisions.
2. Identify important marketing activities.
3. Explain how marketing aids business people and consumers.
4. Define the terms "target market" and "marketing mix."
5. Summarize the steps to be completed in developing a marketing plan.

Unit 7 - Locating the Business

1. Explain the importance of selecting the right business site.
2. Identify factors to be considered when selecting a business site.
3. Determine advantages and disadvantages of different types of business locations (isolated, central business district, neighborhood, shopping center, etc.).
4. Describe terms of occupancy contracts for a business.

Unit 8 - Financing the Business

1. Explain the importance of financing in the success of a new business.
2. List the different types of costs that must be considered when starting a new business.
3. Explain the two major methods of financing a new business.
4. Identify the various sources for obtaining financing for a new business.
5. List the financial statements that should be included in a business plan.

Unit 9 - Dealing With Legal Issues

1. Describe why a basic understanding of legal issues is important to the small business owner/ manager.
2. Define the term "contract."
3. Identify the conditions that call for a written contract.
4. Name and describe the five essential components of a contract.

Unit 10 - Complying With Government Regulations

1. Summarize the importance of government rules and regulations to the individual entrepreneur.
2. Classify legislation according to whom it is designed to protect.
3. Explain at least three types of federal, state, and local taxes affecting small business.

Unit 11 - Managing the Business

1. Explain the role of management in operating a business.
2. List the steps involved in the decision-making process.
3. Define and explain the functions of management.
4. Identify rewards and problems of the management role.

Unit 12 - Managing Human Resources

1. Define human resource management.
2. Explain the importance of human resource management as it relates to the success of a business.
3. Identify the various responsibilities that make up human resource management.
4. Describe the obligations employers have to employees.

Unit 13 - Promoting the Business

1. Define the concept of promotion.
2. Compare the major methods of promotion used by small businesses.
3. Describe the relationship between promotion and other business decisions.

4. List the decisions that must be made when completing a promotional plan.
5. Justify the importance of a public relations program for a small business.

Unit 14 - Managing Sales Efforts

1. Discuss the role of selling in different types of small business.
2. Define selling as stated by the American Marketing Association.
3. Describe what salespeople need to know about their customers to be successful at selling.
4. Describe what salespeople need to know about themselves to be successful at selling.

Unit 15 - Keeping the Business Records

1. Identify the reasons for keeping business records.
2. Identify the elements of a sound recordkeeping system.
3. Describe the difference between a single-entry recordkeeping system and the double-entry system.
4. Describe the uses of the checkbook in recordkeeping.
5. Identify suitable recording forms for accounts receivable.
6. Reconcile a bank statement.
7. Develop a simple recordkeeping system for payroll records.

Unit 16 - Managing the Finances

1. Explain the importance of financial management.
2. Describe the components of a balance sheet.
3. Differentiate between current and fixed assets—current and fixed liabilities.
4. Describe the components of a profit and loss statement.
5. Identify methods for calculating selected financial ratios.
6. Identify sources of financial ratio data.
7. Identify the activities associated with electronic data processing and financial analysis.

Unit 17 - Managing Customer Credit and Collection

1. Identify reasons for offering credit.
2. Consider basic policies to use for credit and collections.
3. Determine your own rules for deciding about people who apply for credit (3 "C's" of Credit).
4. Identify features of credit card plans.
5. Identify basic types of direct credit plans.
6. Determine how you can use a cost/benefit analysis for direct credit and credit card plans.

Unit 18 - Protecting the Business

1. List the most common types of business crime.
2. List other types of risk faced by entrepreneurs.
3. Explain the need for protection against such risks.
4. Discuss what entrepreneurs can do to protect themselves against risks and the losses they may cause.

GOING-INTO-BUSINESS PROJECT

Note to Instructor:

This section contains a project designed to encourage the student to apply the competencies gained at this level. It could be used by individual students or groups as a final entrepreneurship evaluation.

PACE PROJECT

Level 1

Have you ever had an experience with a project that helped you make money in a new way? Many of us have tried to run a lemonade stand, sell candy to make money for our school, or worked on some other project that involved selling a product. Did you realize you were an entrepreneur? You use the same types of skills in any money-making project as entrepreneurs . . . and you must answer many different questions before that project can be successful.

First think about all the kinds of entrepreneurship you could be part of before you are an adult. These activities are good ways to learn what works and how to do it *before* you are an adult whose paycheck depends on knowing these things. Which have you already done?

At home or in your neighborhood you might have—

- set up a stand to sell food or drinks,
- offered your services as a babysitter,
- run errands for elderly neighbors,
- cut grass,
- shoveled walks,
- organized a neighborhood party,
- made doll clothes to sell.

At school you might have—

- organized a school dance,
- sold candy,
- sold baked goods,
- worked on a newspaper,
- run a school supply store,
- sold the services of your vocational program.

Congratulations—you have already been an entrepreneur. Could you have been more successful?

Let's think about one of these types of activities in the same way that a successful entrepreneur would. Answer these questions about an activity you have done already, one you are doing now, or one you would like to do this year.

After truthfully trying to answer these questions, you may be able to see why you have been a success or a failure in organizing a new business activity in the past. Keep these questions handy for the next "great idea" or opportunity that comes your way. You may be the next Henry Ford of our century.

1. Understanding the Nature of Small Business

What is the entrepreneurship activity you have chosen?

Why is this activity important?

Why will this activity be successful?

2. Determining Your Potential as an Entrepreneur

What problems might you have in making this activity successful?

What are your personal reasons for wanting to start this activity?

What are your personal skills that will make you successful in performing this activity?

3. Developing the Business Plan

List the things you plan to accomplish with this project.

4. Obtaining Technical Assistance

What kind of outside help do you need to get this project going successfully, and who can provide it for you?

Who is going to help you perform this activity and what will their roles be?

5. Choosing the Type of Ownership

Who will get the profits from your activity?

When will the profits be shared?

6. Planning the Marketing Strategy

Who will be your competition?

Who will buy your products or services?

Why will they buy?

What price will they pay?

How will you tell them about your products or services?

7. Locating the Business

Where will you operate this activity?

Do you have enough space?

Can your customers find you?

8. Financing the Business

How much money do you need to start this activity?

Where will you get this money?

How will you use the money you earn?

9. Dealing with Legal Issues

Are there any laws you must follow?

Will you write any contracts?

10. Complying with Government Regulations

Will you have to pay taxes?

Are there any government agencies or permits you must know about?

11. Managing the Business

How will you solve problems?

What is your organizational plan for everyone who is working on this activity?

12. Managing Human Resources

How many people will work for you?

How will you train your employees?

13. Promoting the Business

What will you tell customers about your products or services?

How will you be sure that your potential customers know about this activity?

How much will it cost to tell your customers these things?

14. Managing Sales Efforts

How much money do you plan to earn each week?

How will you use personal selling to make this activity successful?

How will you find new customers?

15. Keeping the Business Records

How will you record the sales you make?

How will you record the expenses of your business?

How will you keep track of the products you have not yet sold?

16. Managing the Finances

How will you handle your money?

How will you pay those who are helping you?

How can you be sure you are charging enough to make a profit?

How will you know this activity has been successful?

17. Managing Customer Credit and Collections

If you allow anyone to use credit, how will you handle this?

Why should you allow a customer to use credit?

18. Protecting the Business

How will you be sure that you do not lose products or money?

TEACHING OUTLINES

Note to Instructor:

This section outlines the module content. It contains the module objectives, basic content detail, and teaching suggestions. Each outline can be used as a brief overview to introduce the individualized modules, or as a basis for further development of an entire lesson.

UNDERSTANDING THE NATURE OF SMALL BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	
1. DEFINE A "SMALL BUSINESS."	
What is small business?	The student is being introduced casually to the pure definition that rests in the economic structure. Discuss the different kinds of businesses, showing that they are individual enterprises. An excellent source by Malcolm P. McNair is *The Case Method at the Harvard Business School*. New York: McGraw-Hill Book Company, Inc., 1954.
What part did small business play in our history?	Ask if any student has a relative who is an entrepreneur. Have the student tell what contributions that individual has made to neighborhood, city, society . . . share local "success stories."
What is the place of small business in today's society?	Ask students what they've heard about the bad side of small business. Ask for a "good news" story of contribution and accomplishment. In entrepreneurship, the entrepreneur is faced many times with ethical trade-offs. Not all entrepreneurs will always make the good, long-term trade-off decision. Jeffery Timmons' book, *New Venture Creation*, has an excellent chapter on personal ethics and the entrepreneur starting on page 323. (See source reference.)
2. IDENTIFY THE DIFFERENT TYPES OF SMALL BUSINESSES.	
How does the SBA define small business?	Use the chalkboard or an overhead to picture the flow of goods from manufacturing through the levels of wholesaling and retailing required to bring goods to the marketplace. Show that while the "middlemen" are often invisible, they are a major part of the American economic system.
3. DESCRIBE HOW BUSINESSES CONTRIBUTE TO THE AMERICAN WAY OF LIFE.	
How does small business contribute to the American way of life?	Have students list ways small businesses affect everything we do—from satisfying our basic needs for food, shelter, and clothing to satisfying our higher needs such as education and entertainment.

Objectives	Teaching Suggestions
4. DESCRIBE WHAT ROLE SMALL BUSINESSES PLAY IN THE AMERICAN ECONOMIC SYSTEM.	
How does small business contribute to the economy?	Help the student understand that the health of small business is not only essential to maintaining a healthy economy, but is also the source of continued growth in the total amount of wealth available.
How important is the profit motive in the economic system?	Discuss profit openly; show that profit in and of itself is healthy and justified. Point out that profit is wrong only when it is illegally or unethically gained.
How does the theory of supply and demand affect profit?	Help the student understand that the needs or wants of the marketplace (demand) dictate what goods and services, what quantities and quality, and what prices will be available from the suppliers. Ask for examples of suppliers who missed the cue on the level of demand for a product (e.g., Ford's Edsel).
5. IDENTIFY THE MAJOR FACTORS CONTRIBUTING TO THE SUCCESS OF A SMALL BUSINESS.	
What are the major factors contributing to the success of small business?	Invite a local entrepreneur to share his or her experience in selecting the right product or service, obtaining the necessary capital, planning the venture, and allowing for personal strengths and weaknesses by utilizing outside experts when called for.
What are the traits most often exhibited by successful entrepreneurs?	Here the student is being offered the best observations to date on what might be required to become a successful entrepreneur. It should be stressed, however, that these are by no means hard and fast criteria for judging an individual as "not qualified."
How rigid are the elements of successful business?	
(ENTIRE UNIT)	For this unit, it is suggested that the teacher contact the local daily newspaper for bulk copies of a Sunday edition. Have the class use these papers to clip articles, check the classifieds for want ads, analyze available jobs, and check on businesses that are currently for sale. Also have the students save ads from these newspapers for use with other PACE units.

DETERMINING YOUR POTENTIAL AS AN ENTREPRENEUR

Objectives	Teaching Suggestions
What is this unit about?	
1. DEFINE ENTREPRENEURSHIP.	
How do entrepreneurs help the American economy grow?	
Is entrepreneurship something you can learn and plan for?	
How do people's needs relate to entrepreneurship?	
Then, what is entrepreneurship?	The student should have a strong grasp of the contents of Unit 1, "Understanding the Nature of Small Business." The concept of entrepreneurship as a critical part of the American economic system places the entrepreneur at the helm of an economic enterprise that will be the source of almost 50 percent of the jobs, 38 percent of the GNP, virtually all of the new inventions and advances in technology, and the source of continued and increasing variety in our choices of jobs and products we consume.
Is entrepreneurship only about profit and selfishness?	
2. RECOGNIZE THE PERSONAL QUALITIES AND SKILLS NEEDED TO BE A SUCCESSFUL ENTREPRENEUR.	
What skills are needed for successful entrepreneurship?	The student is being exposed to the broad range of skills needed to run a successful business. For an entrepreneur, this supposes that the entrepreneur either possesses the skills in sufficient quantities or should consider using outside experts to take up the slack for any weak areas.
What are the characteristics of successful entrepreneurs?	

Objectives	Teaching Suggestions
3. COMPARE THE ADVANTAGES OF OWNING A BUSINESS WITH THE ADVANTAGES OF WORKING FOR SOMEONE ELSE.	
How can you learn about owning a business versus working for someone else?	Class discussions can be an eye-opener not only for a student to realize his or her own feelings about what is an advantage and what is a disadvantage, but also for the class to recognize the variance of opinion on the matter. For example, some will think the "responsibility" that goes with entrepreneurship is an advantage; others will see it as a disadvantage. You could demonstrate this on the blackboard by writing down the various class member opinions under headings of Entrepreneurship Advantages, Entrepreneurship Disadvantages, Employee Advantages, and Employee Disadvantages.
Do you want to be an employee?	
What are an employee's disadvantages?	
What are self-employment advantages?	
What are some disadvantages of self-employment?	
4. ASSESS YOUR OWN ABILITY TO BE A SUCCESSFUL ENTREPRENEUR.	
Is the need to achieve a factor?	The class should be lead to understand that many people, including successful entrepreneurs, do not always know their own motives before getting themselves into a venture. Also, most people have mixed motives for any given action. While the studies done have shown the entrepreneurial "high need for achievement," it is well to remember that this was a postanalysis response.

Objectives	Teaching Suggestions
How independent are you?	An attempt should be made to help the student understand that while the profiles and motives of other successful people can be helpful in developing their own profiles, this 'modal' information should not be used as a rigid yardstick to measure their own potential. Einstein flunked math in school! Entrepreneurial genius is unique and found in some very "unlikely" models.
How creative are you?	
Are you an independent, creative self-starter?	

DEVELOPING THE BUSINESS PLAN

Objectives	Teaching Suggestions
What is this unit about?	
1. IDENTIFY THE REASONS FOR PLANNING FOR ENTREPRENEURSHIP.	
Why develop a Business Plan?	Ask class members to read the text and stress the critical nature of the Business Plan.
Who develops the Business Plan?	Allow class members time to reminisce and share their "entrepreneurship" endeavors as children. Stress the similarities with and differences from owning a profitable business enterprise as an adult.
2. IDENTIFY THE COMPONENTS OF A BUSINESS PLAN.	
What's in a Business Plan?	Use Transparency No. 1 to enliven the class discussion of the case study. Make the application from activities in the story to components of the Plan.
Is the Business Plan workable?	
3. COMPLETE A BUSINESS PLAN WORKSHEET.	Have students complete a Business Plan worksheet.
What product or service shall we sell?	Secure an individual copy of SBA Small Marketer's Aid #150 (1978 edition) free from the nearest field office or the Washington headquarters of the SBA.
What is our plan for marketing?	
How shall we organize?	Tell students that the information in the Business Plan Summary Sheet which you will distribute to them and the case study in the module will provide the answers to fill in the blanks in the SBA workbook.
Will we make a profit?	Call their attention to the fact that all of the information asked for in the SBA workbook is not available or applicable to the LEMON-AID business.
	Lead a discussion to allow the class members to contribute their workbook entries—and thus to reinforce learning of the Business Plan components.

OBTAINING TECHNICAL ASSISTANCE

Objectives	Teaching Suggestions
What is this unit about?	
1. DISCUSS HOW TECHNICAL ASSISTANCE CAN HELP THE ENTREPRENEUR.	Collect local examples of the use of technical assistance by entrepreneurs.
What is technical assistance?	
How can technical assistance help the entrepreneur?	
2. IDENTIFY THE TYPES OF TECHNICAL ASSISTANCE NEEDED BY THE ENTREPRENEUR.	After the students develop a symbol for each type of technical assistance, ask them to make a poster containing entrepreneurship tasks and the types of assistance available for each. This should be updated as the unit progresses.
What types of technical assistance are needed?	
3. KNOW WHERE TO FIND TECHNICAL ASSISTANCE.	Students should interview local entrepreneurs to determine what types of assistance they have used. Add information gathered to the poster.
Where is technical assistance found?	
What assistance do business affiliations provide?	Ask students to locate a franchise and invite a representative to visit your class. Invite an apparel and accessories buyer to discuss buying offices.
How can business associations help?	Invite a trade association executive to tell about services available to members.
How do government agencies help?	Locate a SCORE volunteer to tell about SBA services.
What assistance can educational institutions give?	Prepare a directory of entrepreneurship education opportunities in your community.
How can technical-professional consultant services be used?	Invite a banker, a lawyer, and an accountant to hold a panel discussion about the technical assistance each provides and the relative cost.
What do technical-professional consultants contribute?	

Objectives	Teaching Suggestions
When are consultant services free?	
How can publications help?	Show examples of entrepreneurship magazines or current books from the list in the Level 3 unit on "Obtaining Technical Assistance."
Learning Activity	Assign learners the task of working the Technical Assistance Puzzle to test their knowledge before the assessment.
Case Study Discussion	How could technical assistance help Bill and Mary Ann? What types of help do they need? Bill and Mary Ann need advice from experienced people about possible markets for their product and how to reach those markets. Someone needs to help them— • develop a marketing plan, • develop a financial plan, • select a legal structure (they are minors, so parents may have to form the business). If they should sell the game, they will need to know— how to manage finances, production, marketing, sales promotion, human resources, sales, customer relations, and how to protect their product from thieves.

CHOOSING THE TYPE OF OWNERSHIP

Objectives	Teaching Suggestions
What is this unit about?	
1. DESCRIBE SOLE PROPRIETORSHIPS, PARTNERSHIPS, CORPORATIONS, COOPERATIVES, AND FRANCHISES.	
What are the various types of ownership?	Set up various interviews for the class with individuals involved in each of the five types of ownership. Ask the entrepreneurs to share their experiences.
What is a sole proprietorship?	
What is a partnership?	
What is a corporation?	
Individual Activity	Give students puzzle on choosing the type of ownership.
What is a cooperative?	
What is a franchise?	
2. IDENTIFY EXAMPLES FROM YOUR OWN COMMUNITY OF EACH OF THE TYPES OF BUSINESS OWNERSHIP.	
3. DESCRIBE THE ADVANTAGES AND DISADVANTAGES OF SOLE PROPRIETORSHIPS, PARTNERSHIPS, CORPORATIONS, FRANCHISES, AND COOPERATIVES.	
What are the advantages to a sole proprietorship?	
What are the disadvantages of a sole proprietorship?	
Are there advantages to a partnership?	
What are the disadvantages of a partnership?	

Objectives	Teaching Suggestions
What are the advantages to corporations?	
What are the disadvantages of corporations?	
What are the advantages to franchises?	
What are the disadvantages of franchises?	
Are there examples in your own community of each type of business ownership?	

PLANNING THE MARKETING STRATEGY

Objectives	Teaching Suggestions
What is this unit about?	
1. DISCUSS THE ECONOMIC CONCEPTS THAT INFLUENCE MARKETING DECISIONS.	Have students trace products from production to consumption identifying types of companies involved, location of companies, and marketing activities provided.
How can marketing be defined?	Most students can develop a simple definition of marketing. Have them justify their own definition and note similarities and differences.
2. IDENTIFY IMPORTANT MARKETING ACTIVITIES.	
What are the functions of marketing?	Ask students to list examples of each of the functions and tell how problems are often encountered in moving products from producer to consumer.
How is marketing involved in the design and creation of a product?	Show two or three products and have students suggest ways in which the products could be changed and improved.
What role does marketing play in packaging and branding?	A game can be played in which students identify brands and packages. Then a discussion can be held on why some brands or packages are better than others.
3. EXPLAIN HOW MARKETING AIDS BUSINESS PEOPLE AND CONSUMERS.	
How does marketing satisfy the buyer and seller?	Students need to understand that marketing deals with many things, including the process of buying merchandise and selling it to a customer. Discuss what is involved in buying and selling in one type of business.
What role does transportation play in marketing?	Cite examples of product damage or products that don't arrive in stores at the correct time to illustrate the importance of transportation.
What role does storage play in marketing?	Ask the manager of a warehouse or distribution center to discuss how storage practices have changed. Tour a facility, if possible.

Objectives	Teaching Suggestions
Why is finance an important function of marketing?	Collect newspaper articles on investors, rates of return, etc. to illustrate the importance of finance.
How is a fair price determined?	Hold an auction in class to show how price is determined based on supply and demand.
What role does communication play in marketing?	Discuss the many communications sources available to consumers and how valuable each is.
Why is information analysis important?	Several communications games are available that illustrate the importance of two-way communication.
What are the benefits of marketing functions?	
4. DEFINE THE TERMS "TARGET MARKET" AND "MARKETING MIX."	
What is the "free" market system?	Compare the U.S. economic system with other systems to show the advantages and limitations for both businesses and consumers.
How does a "free" market system work?	
What marketing questions must a business person answer?	Take a real or hypothetical business and answer the four questions. Show how many different answers could be developed.
What is effective market planning based upon?	
How can a target market be identified?	
How can a marketing mix be developed?	Have students develop a sample mix with no idea of potential customers. Then give them a detailed target market description and again have them develop the mix. Discuss the process.

Objectives	Teaching Suggestions
5. SUMMARIZE THE STEPS TO BE COMPLETED IN DEVELOPING A MARKETING PLAN.	
How can a marketing plan be developed?	Compare a marketing plan to a personal planning calendar. Show how a person is more organized through the use of the calendar.
Why will a buyer's market continue?	Discuss why businesses must be more careful in planning within a buyer's market than in a seller's market. Give several examples of each.

LOCATING THE BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	
1. EXPLAIN THE IMPORTANCE OF SELECTING THE RIGHT BUSINESS SITE.	Invite a local small business owner to speak to the class concerning the importance of business location.
How important is the right business location?	
2. IDENTIFY FACTORS TO BE CONSIDERED WHEN SELECTING A BUSINESS LOCATION.	Contact a local chamber of commerce, industrial development agency, or a planning commission to obtain information that identifies site location factors. Have the students develop a list of the ten most important factors.
What general factors should be considered when selecting a business site?	
What specific factors should be considered when selecting a business site?	
What about the future?	
What help is available for selecting a business location?	Through library research, have the students compile a list of agencies and their services.
3. DETERMINE ADVANTAGES AND DISADVANTAGES OF DIFFERENT TYPES OF BUSINESS LOCATIONS.	Have the class identify the various types of business clusters in their region. Discuss the advantages and disadvantages of locating in these clusters for a specific business chosen by the class.
What type of business locations are there?	
4. DESCRIBE TERMS OF OCCUPANCY CONTRACTS FOR A BUSINESS.	

FINANCING THE BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	
1. EXPLAIN THE IMPORTANCE OF FINANCING TO THE SUCCESS OF A NEW BUSINESS.	
How important is financing to the success of a new business?	
What do you need the money for?	Have the students list some of the costs they might encounter if they opened a small business.
2. LIST THE DIFFERENT TYPES OF COSTS THAT MUST BE CONSIDERED WHEN STARTING A NEW BUSINESS.	
What are start-up costs?	
What are operating expenses?	
What are personal expenses?	
3. EXPLAIN THE TWO MAJOR METHODS OF FINANCING A NEW BUSINESS.	
Where do you get the money for financing the business?	Have the students list some personal projects in which they either had to invest their own money or borrow money to accomplish a goal.
What are the sources of equity financing?	
What are the sources for borrowing money?	
4. IDENTIFY THE VARIOUS SOURCES FOR OBTAINING FINANCING FOR A NEW BUSINESS.	
Are there other sources of financing?	

Objectives	Teaching Suggestions
What is this unit about?	
5. LIST THE FINANCIAL STATEMENTS THAT SHOULD BE INCLUDED IN A BUSINESS PLAN.	
What are the financing statements included in the business plan?	**Invite a banker or loan officer to speak to the class about financial statements needed in a business plan.**
What is a profit and loss statement?	
What is the cash flow statement?	
What is the balance sheet?	

DEALING WITH LEGAL ISSUES

Objectives	Teaching Suggestions
What is this unit about?	
1. DESCRIBE WHY A BASIC UNDERSTANDING OF LEGAL ISSUES IS IMPORTANT TO THE SMALL BUSINESS OWNER/ MANAGER.	
Why are legal issues important?	Discuss some of the decisions that Ruth had to make when planning to open the ice cream store.
2. DEFINE THE TERM "CONTRACT."	
What is a contract?	Discuss the sample contracts. How are they different? Have the class think of some cases where each type of contract should be used.
3. IDENTIFY THE CONDITIONS THAT CALL FOR A WRITTEN CONTRACT.	
What are the conditions that call for a written contract?	
4. NAME AND DESCRIBE THE FIVE ESSENTIAL COMPONENTS OF A CONTRACT.	
What is agreement?	Have the students give examples from their own experience.
What is consideration?	Again, have the students give examples from their own experience.
What is contractual capacity?	Why is a minor unable to make a contract? What might happen if the owner of a small business makes a contract with a minor?
What is legality of purpose?	Discuss the example. Have students discuss some instances in which a contract could be illegal.
What is reality of consent?	

Objectives	Teaching Suggestions
What is this unit about?	
What does it take to make a contract?	Have the class identify the missing elements in the examples. You may also wish to ask a lawyer to visit the class to answer questions or review sample contracts developed by class members.

COMPLYING WITH GOVERNMENT REGULATIONS

Objectives	Teaching Suggestions
What is this unit about?	
1. SUMMARIZE THE IMPORTANCE OF GOVERNMENT RULES AND REGULATIONS TO THE INDIVIDUAL ENTREPRENEUR.	
Why are government rules and regulations important?	Organize a panel discussion with different small business owners discussing the impact of government regulations.
2. CLASSIFY LEGISLATION ACCORDING TO WHOM IT IS DESIGNED TO PROTECT.	
How can federal regulations be classified?	Contact representatives from organizations with an interest in one or more of the regulated areas. Have them discuss the goals of their organizations.
3. EXPLAIN AT LEAST THREE TYPES OF FEDERAL, STATE, AND LOCAL TAXES AFFECTING SMALL BUSINESS.	
What types of business taxes are there?	Have an IRS agent and state tax agent discuss the tax responsibilities of small firms.
What help can be found?	

Unit 11
Level 1

MANAGING THE BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	
1. EXPLAIN THE ROLE OF MANAGEMENT IN OPERATING A BUSINESS.	
How important are the management functions for business success?	
Do good managers possess special skills?	Locate help wanted ads for management positions in your area. Discuss the qualifications requested.
2. LIST THE STEPS INVOLVED IN THE DECISION-MAKING PROCESS.	
Why are decisions so important?	
What are the steps in decision making?	
How important is it to use each step in this decision-making process?	
3. DEFINE AND EXPLAIN THE FUNCTIONS OF MANAGEMENT.	
What else do managers do?	
What are the functions of management?	Have a local small business owner discuss his or her responsibility in performing management functions.
How do management functions work?	
4. IDENTIFY REWARDS AND PROBLEMS OF THE MANAGEMENT ROLE.	
What are some of the problems that managers face?	
What rewards does management offer?	

MANAGING HUMAN RESOURCES

Objectives	Teaching Suggestions
What is this unit about?	
1. DEFINE HUMAN RESOURCE MANAGEMENT.	
How is human resource management defined?	
2. EXPLAIN THE IMPORTANCE OF HUMAN RESOURCE MANAGEMENT AS IT RELATES TO THE SUCCESS OF A BUSINESS.	
Why is human resource management important?	
3. IDENTIFY THE VARIOUS RESPONSIBILITIES THAT MAKE UP HUMAN RESOURCE MANAGEMENT.	
What are entrepreneurs' responsibilities in human resource management?	**Interview local entrepreneurs regarding their personnel programs. After independent interview, have students compare programs.**
What about hiring and placing new employees?	
What about training new employees?	
What about compensatory employees?	
What about leading employees?	
What about evaluating employees?	
What about building a relationship with employees?	
What about health and safety of employees?	
What about unions and small businesses?	

Objectives	Teaching Suggestions
What is this unit about?	
What about company-sponsored employee groups?	
4. DESCRIBE THE OBLIGATIONS EMPLOYERS HAVE TO EMPLOYEES.	
What obligations do entrepreneurs have to their employees?	

PROMOTING THE BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	
	List three or four products for students ranging from simple to complex. Have them describe the information they would need to buy the product. Ask them to identify how they could get the information.
1. DEFINE THE CONCEPT OF PROMOTION.	
What is promotion?	Collect a variety of examples of promotion to show students ranging from traditional ads to publicity releases and letters to consumers.
What is the importance of promotion?	Ask students to discuss the ways in which businesses can get new customers. Most of the ways listed will involve some form of communication.
2. COMPARE THE MAJOR METHODS OF PROMOTION USED BY SMALL BUSINESSES.	
What are the major methods of promotion used by small business?	
Which promotion methods are best for small businesses?	A simple chart could be developed in class comparing the uses, strengths, and limitations of each method. This could be used throughout the unit as additional information about each method learned.
What's included in advertising?	
Why do businesses use advertising?	Compare three well-known stores or products by having students list the strengths and weaknesses of each. (Use the product, place, and price.) Then discuss how promotion would be different for each one if the business wanted to promote the strengths.
When is personal selling best?	This is a good opportunity for students to be creative. Give small groups of students a business idea and a small promotional budget. Have them create a simple promotional plan by answering the five questions listed.

Objectives	Teaching Suggestions
What is this unit about?	
How can sales promotion be used?	
How should publicity be used?	
Is promotion always effective?	
3. DESCRIBE THE RELATIONSHIP BETWEEN PROMOTION AND OTHER BUSINESS DECISIONS.	
How does promotion relate to other business decisions?	
4. LIST THE DECISIONS THAT MUST BE MADE WHEN COMPLETING A PROMOTIONAL PLAN.	
What is involved in promotional planning?	
5. JUSTIFY THE IMPORTANCE OF A PUBLIC RELATIONS PROGRAM FOR A SMALL BUSINESS.	
Why does a small business need a public relations program?	Bring in a guest speaker from public relations (PR) to discuss the importance of public relations to businesses. The speaker could give examples of relatively inexpensive PR activities that could be used by small businesses. Students could begin documenting PR activities of businesses in the community.

MANAGING SALES EFFORTS

Objectives	Teaching Suggestions
What is this unit about?	
1. DEFINE SELLING AS STATED BY THE AMERICAN MARKETING ASSOCIATION.	
What is selling?	
2. DISCUSS THE ROLE OF SELLING IN DIFFERENT TYPES OF SMALL BUSINESS.	Interview a variety of business owners concerning the importance of effective selling.
What is the role of selling in the small business?	
3. DESCRIBE WHAT SALESPEOPLE NEED TO KNOW ABOUT THEIR CUSTOMERS TO BE SUCCESSFUL AT SELLING.	Have a successful salesperson describe his or her normal working day.
What do you need to know about your customer?	
What motivates customers to buy?	Role play the selling of a product.
4. DESCRIBE WHAT SALESPEOPLE NEED TO KNOW ABOUT THEMSELVES TO BE SUCCESSFUL AT SELLING.	
What are the characteristics of successful salespeople?	

KEEPING THE BUSINESS RECORDS

Objectives	Teaching Suggestions
What is this unit about?	
1. IDENTIFY THE REASONS FOR KEEPING BUSINESS RECORDS.	
Why keep records?	Demonstrate the value of proper bookkeeping to the class by having them list some personal experiences when the amount of money they *thought* they had didn't agree with the amount they actually had.
What are the requirements of a good bookkeeping system?	
2. IDENTIFY THE ELEMENTS OF A SOUND RECORDKEEPING SYSTEM.	If possible, have the class design some sample bookkeeping forms. Invite an accountant from a local business or bank to speak to the class. Have this person discuss and evaluate the sample forms in terms of clarity, simplicity, information communicated, and so on.
3. DESCRIBE THE DIFFERENCE BETWEEN A SINGLE-ENTRY RECORDKEEPING SYSTEM AND THE DOUBLE-ENTRY SYSTEM.	
What's meant by single-entry and double-entry bookkeeping systems?	
How are record systems maintained?	
Which records are common to most businesses?	
4. DESCRIBE THE USES OF THE CHECKBOOK IN RECORDKEEPING.	
What information is recorded in the business checkbook?	
What is the daily sales and cash summary?	

Objectives	Teaching Suggestions
What is this unit about?	
5. IDENTIFY SUITABLE RECORDING FORMS FOR ACCOUNTS RECEIVABLE.	
How do you record accounts receivable?	
6. RECONCILE A BANK STATEMENT.	
How do you reconcile the bank statement?	Have the students practice reconciling bank statements with a hypothetical checking account. Establish the amount of money that is available in this account. Have them pay for some of the items that might be necessary in their businesses. Be sure to have the students account for checks that might not show up on a monthly bank statement.
7. DEVELOP A SIMPLE RECORD-KEEPING SYSTEM FOR PAYROLL RECORDS.	
What recordkeeping is used for the payroll?	Obtain tax deduction forms from the IRS, the Social Security Administration, and the state and local tax offices. Have the students calculate the proper deductions from a hypothetical employee's paycheck.

MANAGING THE FINANCES

Objectives	Teaching Suggestions
What is this unit about?	
1. EXPLAIN THE IMPORTANCE OF FINANCIAL MANAGEMENT.	
Overview.	Invite a panel of local business owners, bankers, accountants, etc. to discuss the importance of financial management.
2. DESCRIBE THE COMPONENTS OF A BALANCE SHEET.	
What is a balance sheet?	Show sample balance sheets with transparencies.
What are the components of a balance sheet?	Have students identify balance sheet components from sample balance sheets.
3. DIFFERENTIATE BETWEEN CURRENT AND FIXED ASSETS—CURRENT AND FIXED LIABILITIES.	Have students give (from their own business or experience) examples of current and fixed assets and liabilities.
4. DESCRIBE THE COMPONENTS OF A PROFIT AND LOSS STATEMENT.	
What is a profit and loss statement?	Show sample profit and loss statements with transparencies.
What are the components of a profit and loss statement?	Have students organize a profit and loss statement from components provided on separate strips of paper.
5. IDENTIFY METHODS FOR CALCULATING SELECTED FINANCIAL RATIOS.	Show financial ratios using transparencies.
	Have students review selected balance sheets and profit and loss statements available from corporation stockholders' reports.
What are methods of calculating financial statement ratios?	Have students calculate ratio problems from the above statements.

Objectives	Teaching Suggestions
What is this unit about?	
6. IDENTIFY SOURCES OF FINANCIAL RATIO DATA.	
Where can ratio data be obtained?	**Have students review ratio data from various commercial publications.** **Develop lists of appropriate ratio data information for a specific business.**
7. IDENTIFY THE ACTIVITIES ASSOCIATED WITH ELECTRONIC DATA PROCESSING AND FINANCIAL ANALYSIS.	
How can microcomputers aid financial management?	
What electronic information processing activities are related to financial management?	
What input activities are associated with electronic information processing?	
What manipulative operations are performed by electronic information processing?	
What output activities are associated with electronic information processing?	

Unit 17
Level 1

MANAGING CUSTOMER CREDIT AND COLLECTIONS

Objectives	Teaching Suggestions
What is this unit about?	
1. IDENTIFY REASONS FOR OFFERING CREDIT.	
What are the reasons for offering credit?	Invite a local small business owner to discuss pros and cons of offering credit.
2. CONSIDER BASIC POLICIES TO USE FOR CREDIT AND COLLECTIONS.	
What are the basic credit policy considerations?	Show examples of written credit and collection policies.
3. DETERMINE YOUR OWN RULES ABOUT PEOPLE WHO APPLY FOR CREDIT (3 "C's" of credit).	
What are some guidelines for evaluating credit applicants?	Have students complete and evaluate credit application forms using hypothetical customer information.
How can credit information be checked?	Have a credit bureau representative explain procedures used in verifying credit information.
How can credit applicants be notified of rejection?	Role play case problems involving credit rejections.
4. IDENTIFY FEATURES OF CREDIT CARD PLANS.	
5. IDENTIFY BASIC TYPES OF DIRECT CREDIT PLANS.	
What are some different types of credit plans?	Show students examples of credit card applications and customer agreements. Have a credit card sales representative discuss business credit card plans.

Objectives	Teaching Suggestions
What is this unit about?	
6. DETERMINE HOW YOU CAN USE A COST/BENEFIT ANALYSIS FOR DIRECT CREDIT AND CREDIT CARD PLANS.	
What are the features of credit card plans?	
What are the basic types of direct credit plans?	
How can the costs/benefits of credit be evaluated?	
How can the costs/benefits of credit be estimated?	
How can the costs/benefits of credit cards be determined?	Have students interview business owners concerning credit plan costs/benefits.

PROTECTING THE BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	
1. LIST THE MOST COMMON TYPES OF BUSINESS CRIME.	Invite a department store person to speak to the group.
What is a risk?	
Can risks be avoided?	
What are the most common types of business crime?	Have students read local newspapers and view newscasts to list incidents of business crime and/or losses.
2. LIST OTHER TYPES OF RISK FACED BY ENTREPRENEURS.	
What other risks do small businesses face?	
3. EXPLAIN THE NEED FOR PROTECTION AGAINST SUCH RISKS.	
How can a business minimize losses due to risks?	Have an insurance agent discuss insurance coverage protection for small businesses.
4. DISCUSS WHAT ENTREPRENEURS CAN DO TO PROTECT THEMSELVES AGAINST RISKS AND LOSSES THEY MAY CAUSE.	
Should a business buy insurance?	

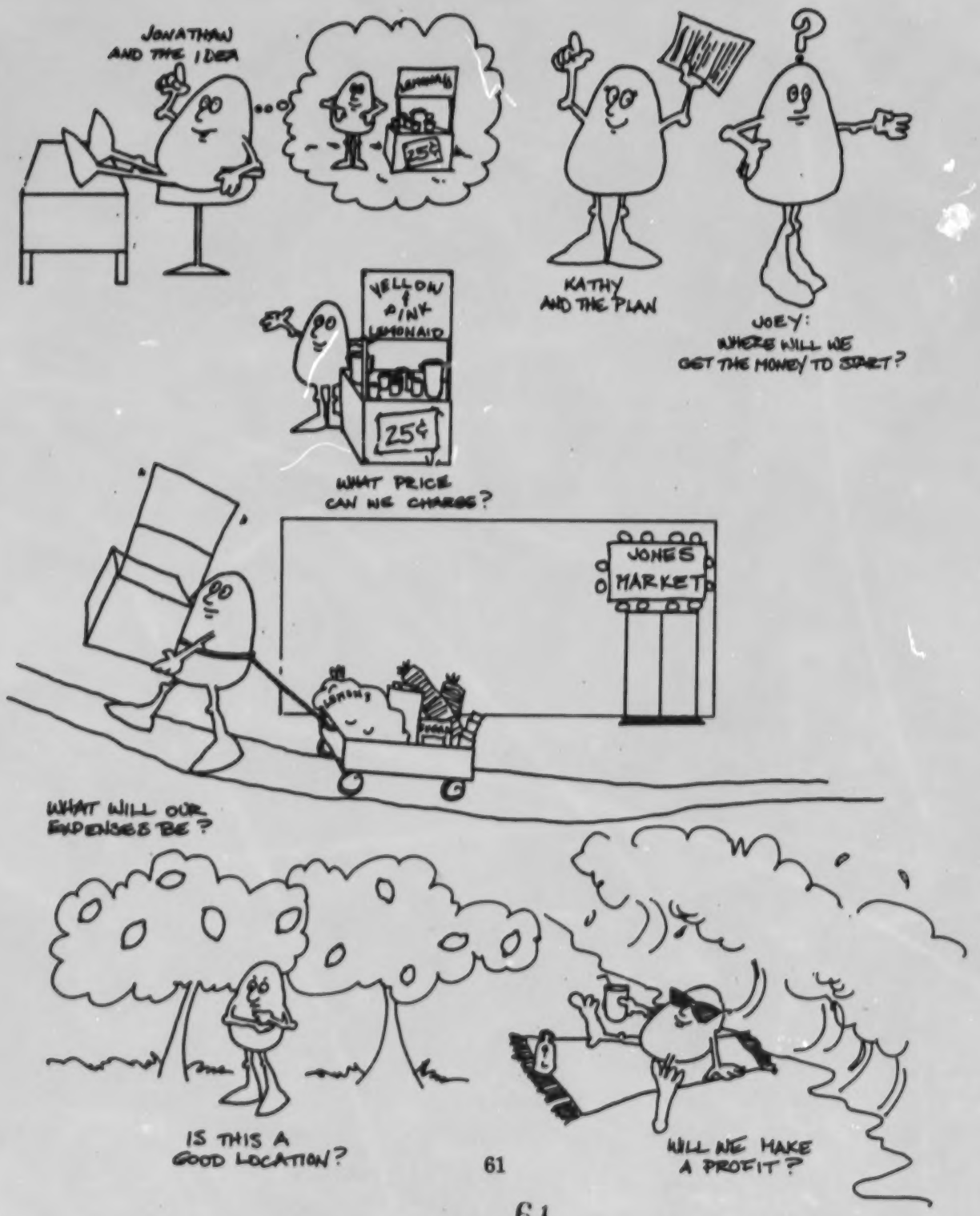
TRANSPARENCY MASTERS

Note to Instructor:

This section contains suggested transparencies designed to enhance lectures and discussions. In most cases they have not been referenced in the teaching outline, but have been designed to be used with it.

SKILLS NEEDED BY ENTREPRENEURS

AFFECTIVE	COGNITIVE	MANIPULATIVE
Human relations ability	Organizing ability	Physical skill ability
Communications ability	Problem-solving ability	
Creative ability	Decision-making ability	
	Technical knowledge	


JONATHAN AND THE IDEA
25¢
KATHY AND THE PLAN
JOEY: WHERE WILL WE GET THE MONEY TO START?
YELLOW PINK LEMONAID
25¢
WHAT PRICE CAN WE CHARGE?
JONES MARKET
WHAT WILL OUR EXPENSES BE?
IS THIS A GOOD LOCATION?
WILL WE MAKE A PROFIT?

Which Form of Legal Organization?

Capital Required

65

Transparency No. 2

Choosing the Type of Ownership
Unit 5
Level 1

Nature and Size of Business

Transparency No. 3

Choosing the Type of Ownership
Unit 5
Level 1

Franchise Ownership

EFFECTIVE SELLING CONSIDERS CUSTOMER NEEDS

Transparency No. 1

Planning the Marketing Strategy
Unit 6
Level 1

71

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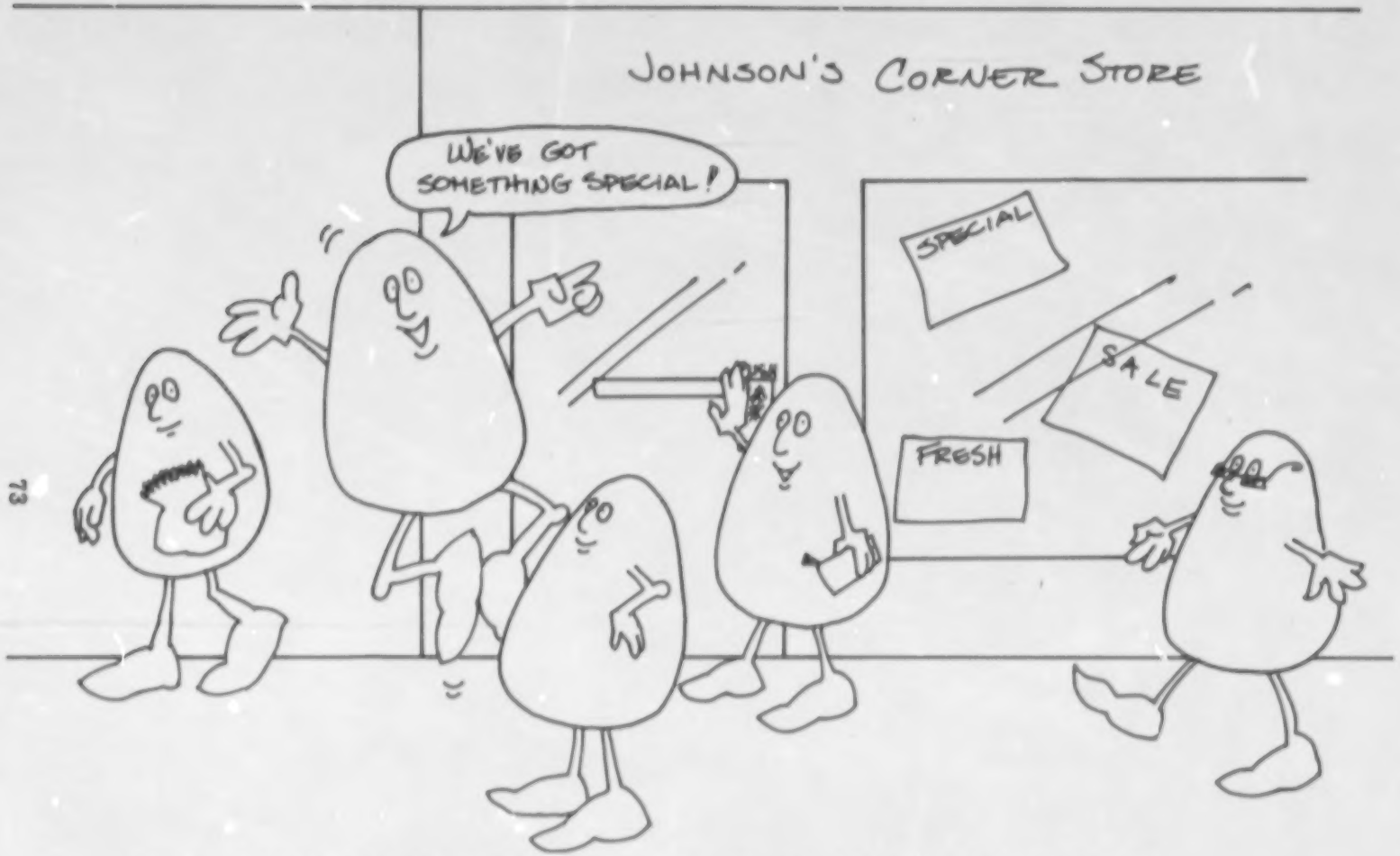

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CONVINCE CUSTOMERS THAT YOU HAVE SOMETHING SPECIAL

72

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Transparency No. 2

Planning the Marketing Strategy
Unit 6
Level 1

LOCATION CAN MAKE OR BREAK A BUSINESS

GENERAL LOCATION FACTORS

Economics

Population

Competition

BE AWARE OF COMPETITORS WHEN LOCATING YOUR BUSINESS

Transparency No. 4

LOCATION FACTORS: RETAIL AND SERVICE FIRMS

Nearness to consumers

Compatibility of neighboring firms

Suitable traffic patterns

Adequate parking

Locating the Business
Unit 7
Level 1

LOCATION FACTORS: WHOLESALE FIRMS

Transportation systems

Physical facilities

Access to customers

Local ordinances

LOCATION FACTORS: MANUFACTURING FIRMS

Availability of raw materials

Transportation facilities

Physical facilities

Government restrictions

TYPES OF BUSINESS LOCATIONS

- Central shopping district
- Neighborhood shopping area
- Shopping centers
- Industrial parks

DETERMINE WHAT YOU NEED MONEY FOR

LENDERS OFTEN ASK TO SEE A BUSINESS PLAN

A CONTRACT DOES NOT HAVE TO BE WRITTEN TO BE LEGAL

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Transparency No. 1

Dealing with Legal Issues
Unit 9
Level 1

88

5 ESSENTIALS OF A CONTRACT

Transparency No. 2

Dealing with Legal Issues
Unit 9
Level 1

Transparency No. 3

IT IS SAFEST TO HAVE WRITTEN CONTRACTS ON ALL BUT MINOR MATTERS

Dealing with Legal Issues
Unit 9
Level 1

WHAT IS A CONTRACT?

Transparency No. 5

WHAT IS AGREEMENT?

Offer + Acceptance = Reasonably Definite Understanding Between the Parties

Dealing with Legal Issues
Unit 9
Level 1

Transparency No. 1

IMPORTANCE OF REGULATIONS

Purpose of Regulations

Source of Regulations

Impact on Small Business

Complying with Government Regulations
Unit 10
Level 1

Transparency No. 2

CLASSIFICATION OF FEDERAL REGULATIONS

Protection of Competition

Protection of Employees

Protection of Consumers

Protection of the Environment

Complying with Government Regulations
Unit 10
Level 1

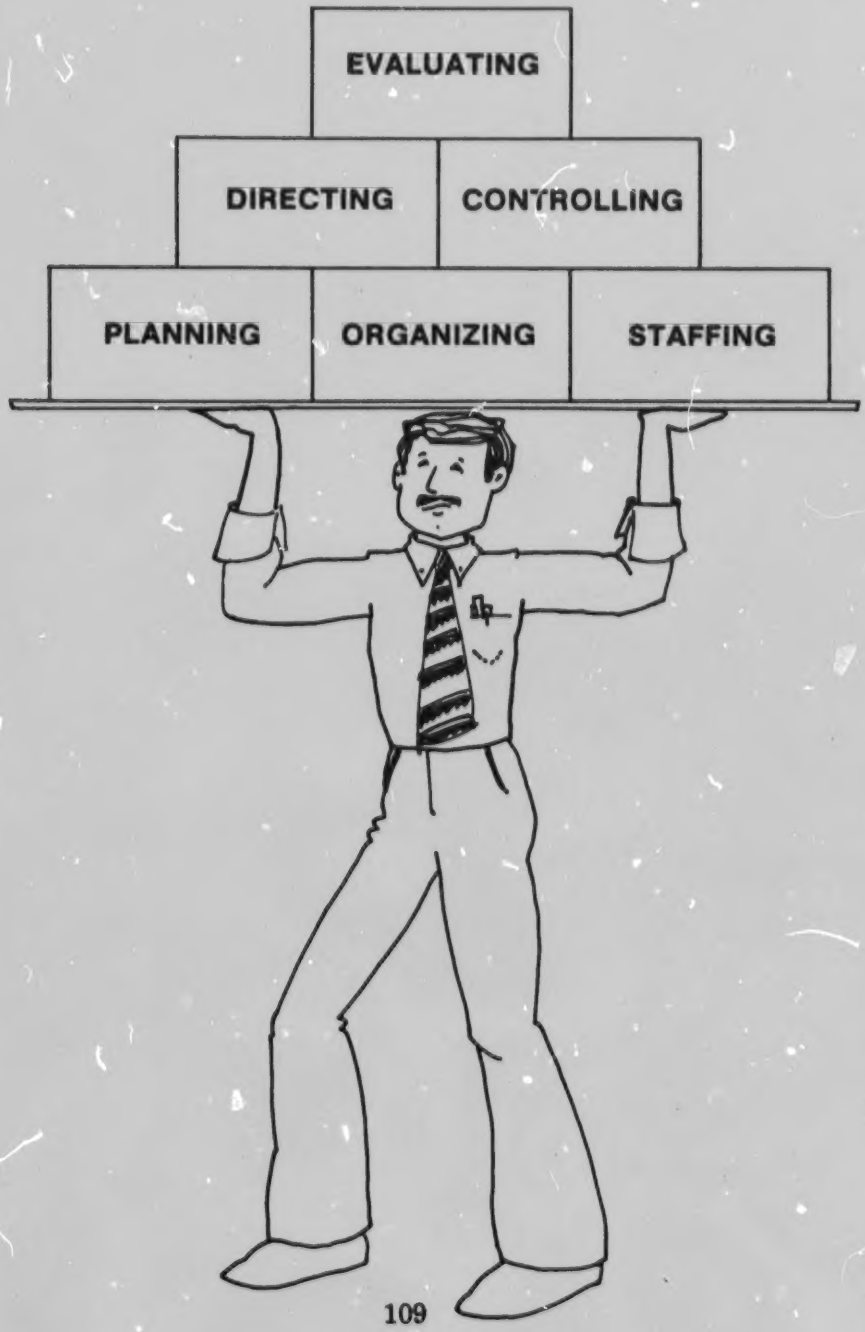
OTHER REGULATIONS

Licenses

Permits

Taxes

MANAGEMENT:
IT'S GREAT; BUT THERE ARE BURDENS.



INFORM THE COMMUNITY

Transparency No. 1

Promoting the Business
Unit 13
Level 1

111

101

102

CUSTOMERS ARE SATISFIED WHEN THEY GET GOOD VALUE

103

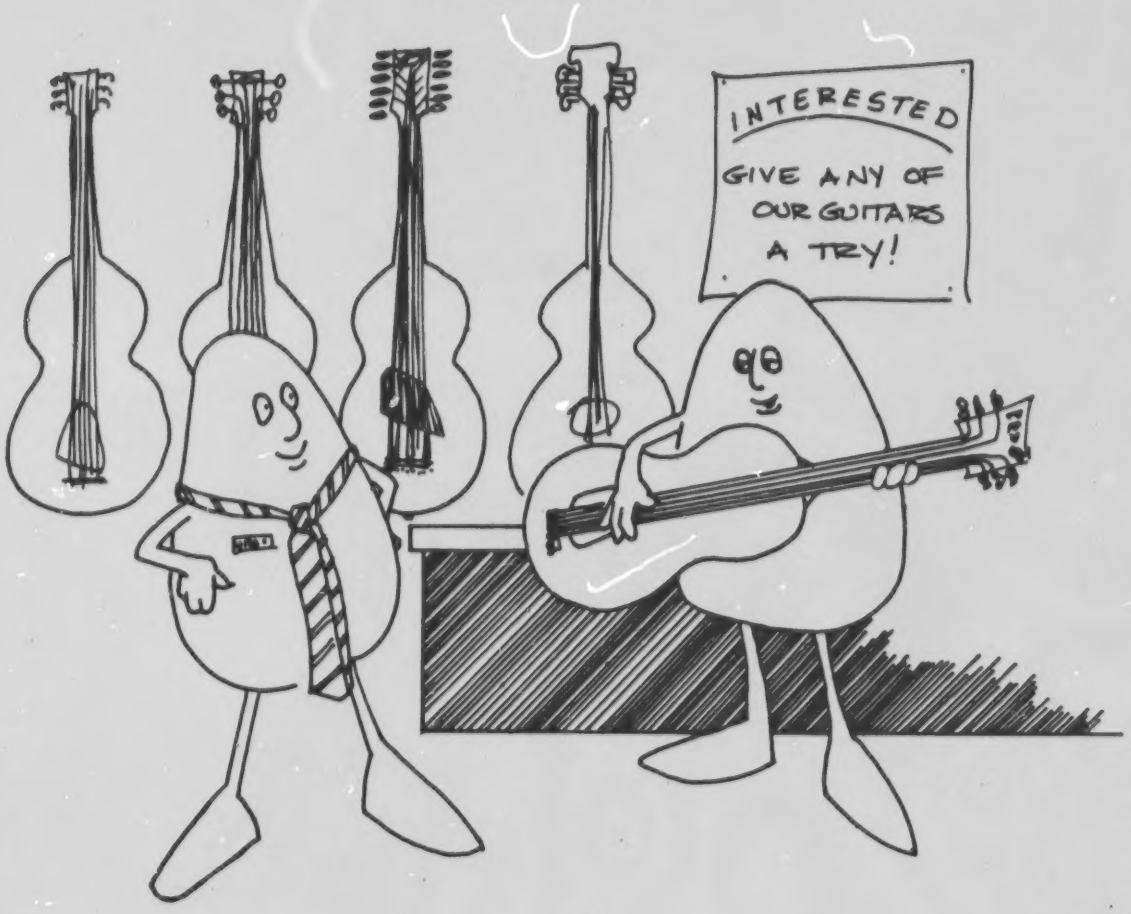
113

Transparency No. 2

Promoting the Business
Unit 13
Level 1

104

Involving Customers



Involving Customers Helps to Give them a Feeling of Ownership

Don't Pick Up Bad Habits

Transparency No. 3

Deal With Objections

Managing Sales Efforts
Unit 14
Level 1

Treat Your Customer Like Royalty

121

110

Transparency No. 4

Managing Sales Efforts
Unit 14
Level 1

111

Hidden Features: Find the Profiles

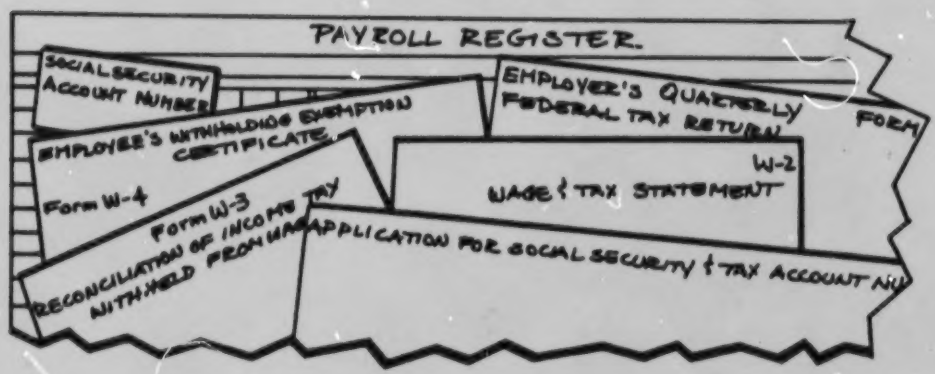
123

112

Transparency No. 5

Managing Sales Efforts
Unit 14
Level 1

113

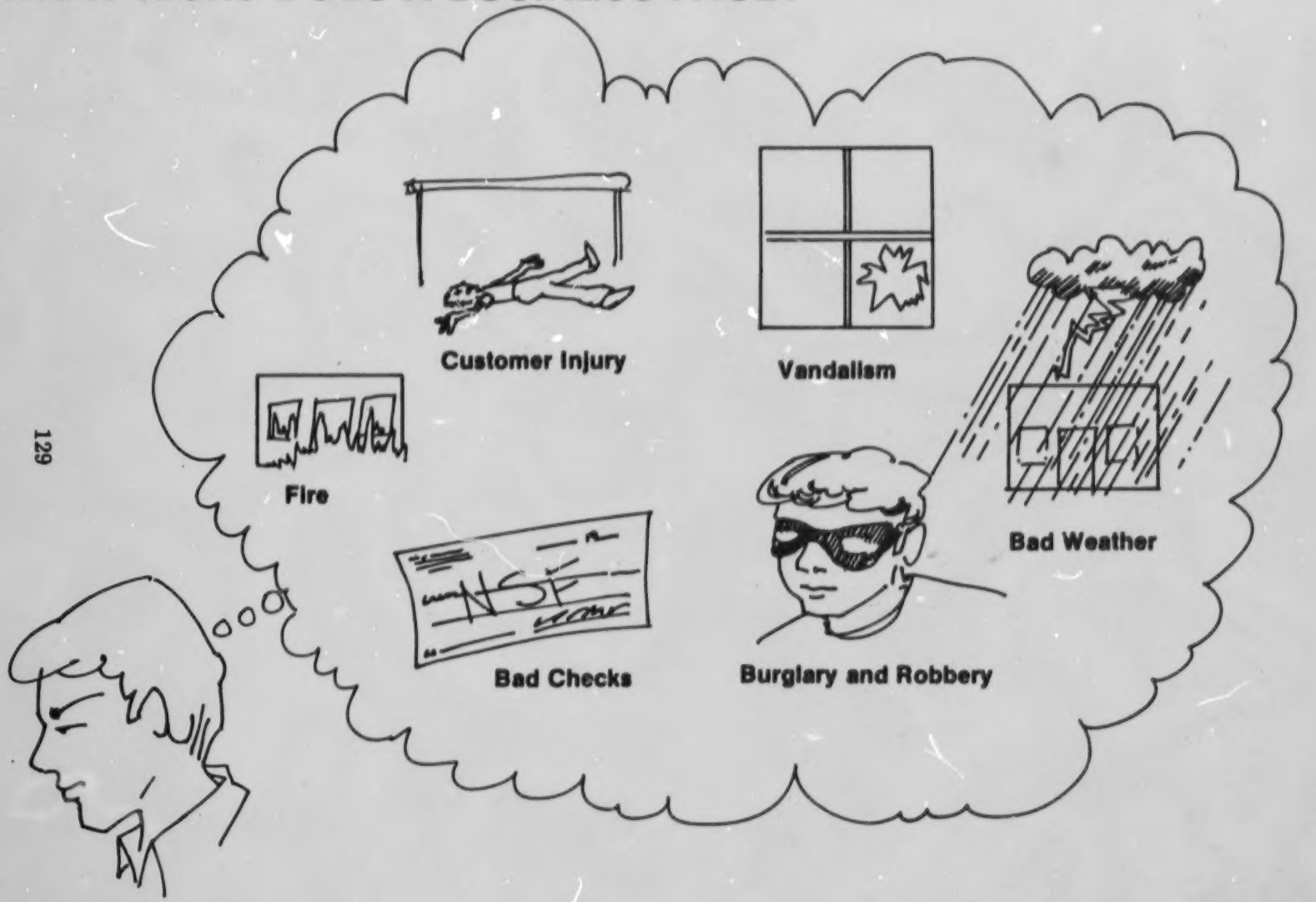


Payroll records are needed to complete the picture of business expenses. They are also necessary to complete government forms and reports.

(The amount of business due to credit) X (The percent net profit you make on the business)

— (Costs of providing credit) = Estimated benefit or net profit that credit brings

WHAT RISKS DOES A BUSINESS FACE?



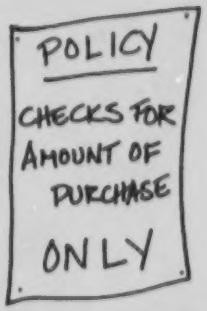
129

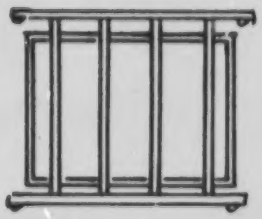
Transparency No. 1

Protecting the Business
Unit 18
Level 1

LOSS PREVENTION PROGRAMS ARE BASED ON. . .

Fire Extinguishers





Grates for Window Protection

(1) Sound Business Practices

(2) Insurance

HANDOUTS

Note to Instructor:

This section contains handouts to be duplicated for use with the modules or with the *Instructor Guide* as needed by students.

ENTREPRENEURSHIP
(PERSONAL)

Advantages	Disadvantages

BEING AN EMPLOYEE (PERSONAL)

Advantages	Disadvantages

BUSINESS PLAN SUMMARY: LEMON-AID

LEMON-AID is a proposed business to operate during July and August 198-- in Centerville, U.S.A. for the purpose of manufacturing and selling pink lemonade and yellow lemonade. The owners of the business are Jonathan Spivey, Kathy Merritt, and Joey Wiltshire, equal partners.

The lemonade will be sold at a stand to be constructed at the southwest corner of Pine and Falkner Avenues, a residential area with a heavy flow of traffic. There is no competition for homemade lemonade in the area.

The lemonade will be sold from a stand to be built by the owners out of discarded materials. It will be painted in bright colors and signs will be used to attract customers: BUY YELLOW 'N' PINK LEMON-AID FROM THE KIDS.

The prices of lemonade will be set to cover the costs of manufacturing lemonade, using quality ingredients and including business expenses.

Parking will be provided for customers, but there will be no charge for this service.

Salespeople will encourage passersby to become customers, by calling out "Lemonade, yellow 'n' pink lemonade." Salespeople will serve customers in a friendly manner and invite them to purchase additional cups of lemonade, or lemonade by the gallon to take home to the family. Signs will advertise the gallon size to take home to the family.

Lemonade will be manufactured in one-gallon lots by the owners.

Employees will divide the behind-the-scenes jobs and the selling jobs on a regular schedule of two hours a day.

The start-up costs needed to operate the business for the two summer months are $677.83 ($515.43 cost of goods sold + $62.40 expenses).

The expenses based on two months of operation are $62.40.

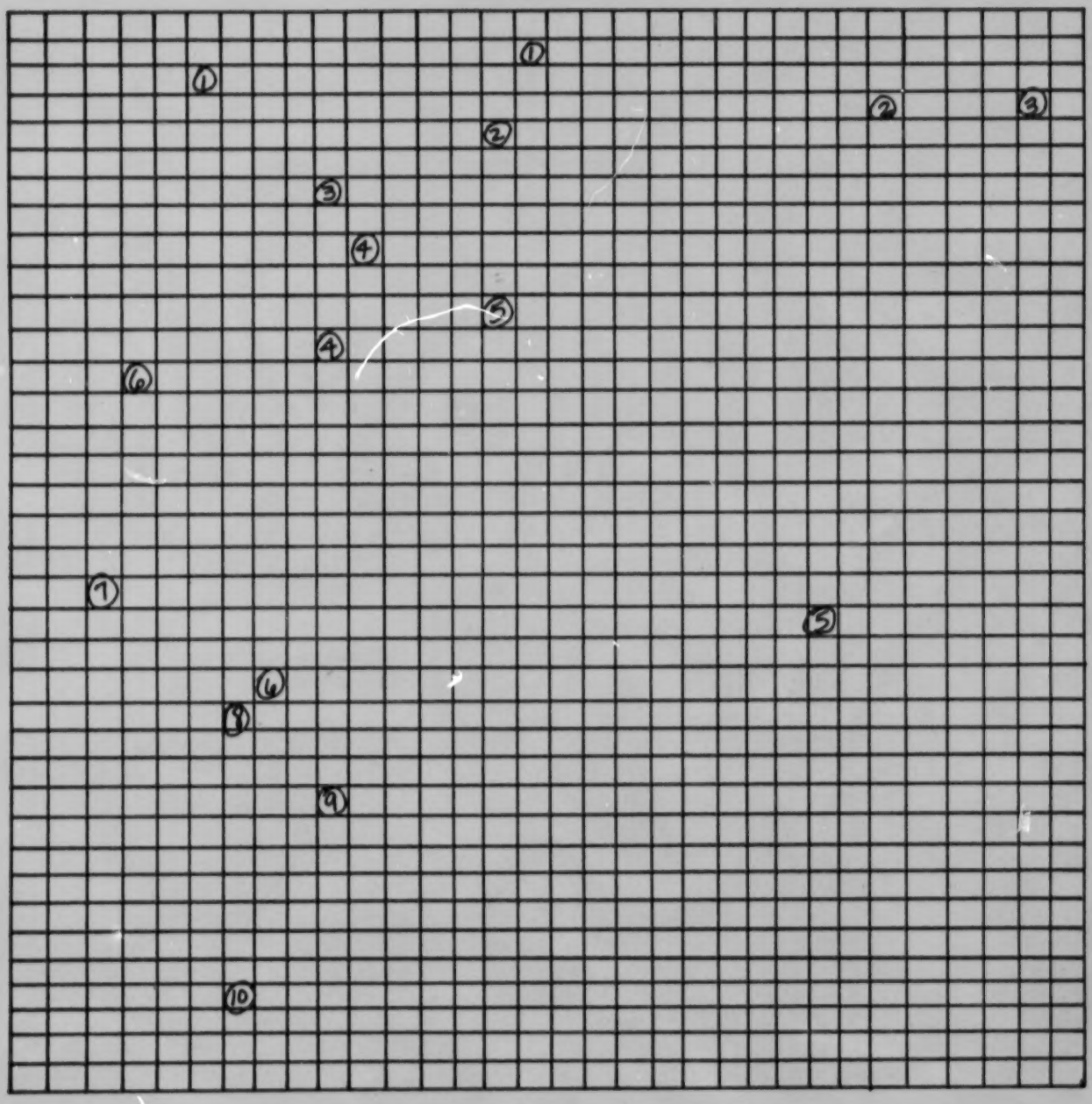
The anticipated sales for the two months are $664.00.

The owners will need to secure $677.83 in loans in order to operate the business.

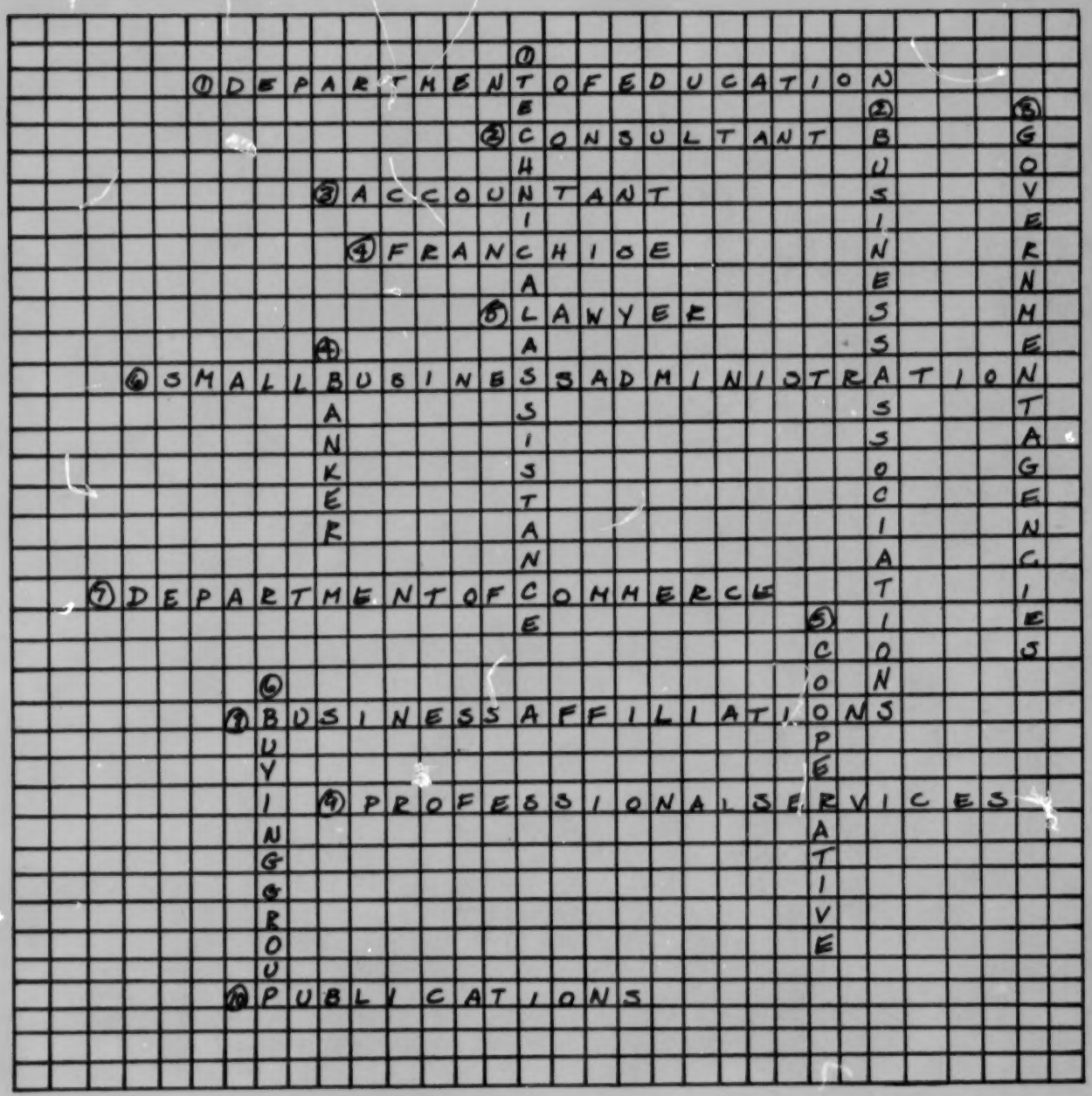
The business promises to make $86.17 net profit, to be divided equally among the three partners.

The business will be informally organized as a partnership, with a written agreement of equal partnership signed by all three owners.

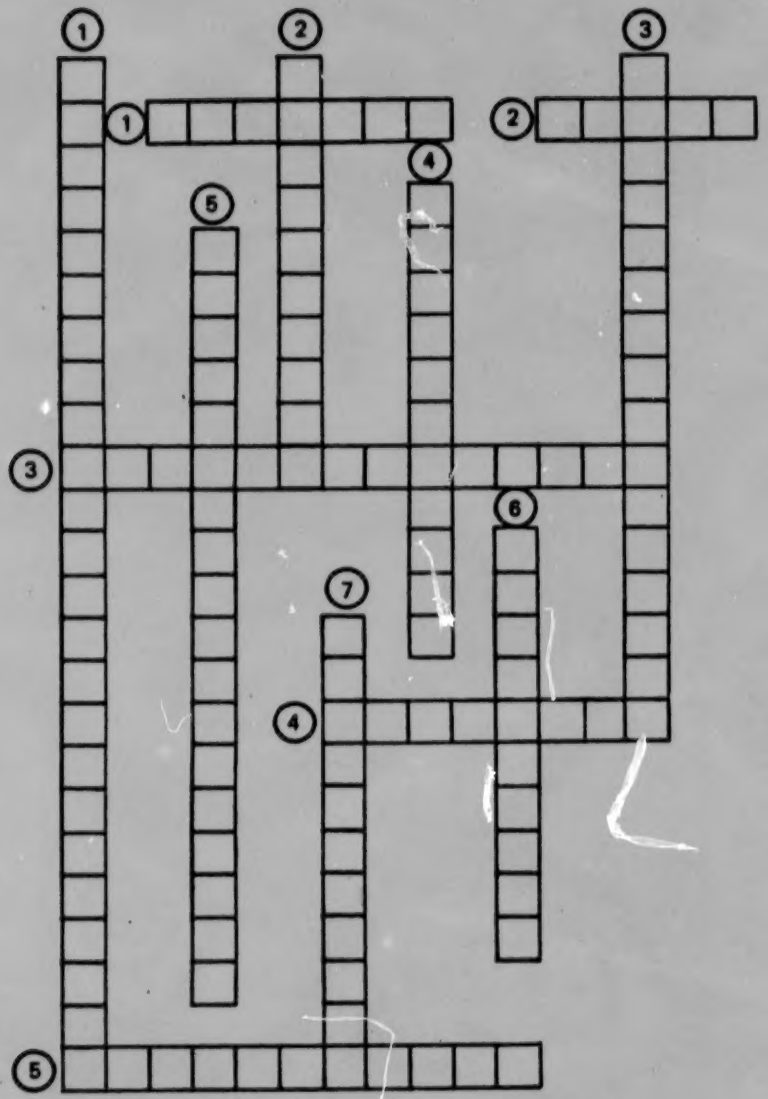
THE TECHNICAL ASSISTANCE PUZZLE



THE TECHNICAL ASSISTANCE PUZZLE
ANSWERS



Name_____



CROSSWORD PUZZLE CLUES

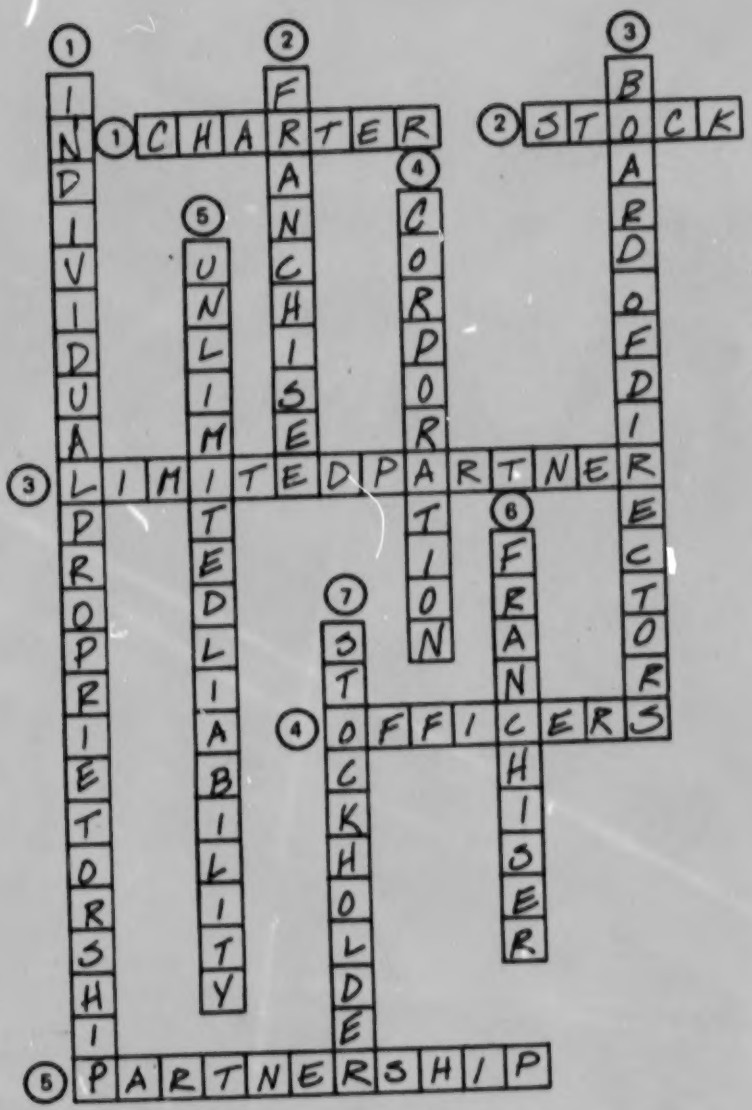
ACROSS

1. Granted to a corporation by a state official.
2. Represents ownership in a corporation.
3. Person who invests in business but has no voice in management.
4. People who actually run the corporation.
5. When two or more people own a business.

DOWN

1. When one person is owner of a business.
2. In franchise business, the distributor.
3. They elect the officers of the corporation.
4. The most formal of all business structures.
5. When each member of a partnership is responsible for all debts owed by the partnership.
6. In franchise business, the parent company that provides product/service.
7. Person who owns a share of the corporation.

ANSWER TO CROSSWORD PUZZLE



SELF-ANALYSIS:
Are You A Salesperson?

How to Grade

Grade each point on the basis of 0 to 10. If you believe that you are what you should be, give yourself 10 points; if only medium, 5 points; and if entirely disqualified, give yourself a 0; give any intervening points for other values.

Apply your own knowledge. Consider what a discriminating person in full possession of the facts would give you.

When you have graded each of the 100 points, add the figures and place the sum in the proper place at the end of the column. Divide by 10 for your percentage of efficiency.

	GRADE YOURSELF HERE
A. APPEARANCE	
1. Is your expression pleasant?	_____
2. Clothes spotless and pressed, shoes shined?	_____
3. Are your clothes selected with taste—style, fit, color, harmony?	_____
4. Do you look like you are master of yourself?	_____
5. Are your manners pleasant and friendly?	_____
6. Do you correct all appearance liabilities?	_____
B. HEALTH	
7. Is your health a 100% business asset?	_____
8. Is your health as important as money?	_____
9. Do you observe the simple health rules regarding eating, drinking, breathing, and exercising?	_____
10. Is your power of endurance above average?	_____
11. Lost any workdays this year due to illness?	_____

GRADE YOURSELF HERE

C. FEARLESSNESS

12. Are you at ease before strangers or superiors? ____
13. Are you conscious of the new courage that results from acquired power? ____
14. Do you follow your own convictions? ____
15. Have you eliminated all fear of the future? ____
16. Do you meet problems squarely without evasion? ____
17. Do you use knowledge to banish fear? ____

D. SELF-CONFIDENCE

18. Are you sure of yourself at all times? ____
19. Do you use and apply your knowledge? ____
20. Do you start things with confidence rather than doubt and cold feet? ____
21. Are you confident about your own judgment? ____
22. Is action the result of your self-confidence? ____
23. Are you able to inspire confidence in others? ____

E. AMBITION

24. Is your life's aim big enough for your ability? ____
25. Do you back your ambition with decisive action? ____
26. Do you plan each day to advance a step? ____
27. Do you study the best ways for personal advancement? ____
28. Do you take full advantage of opportunities? ____
29. Are you eager to end well in life? ____
30. Would fulfillment of your ambitions make this world a better place? ____

GRADE YOURSELF HERE

F. WILL POWER

31. Is your will power trained for decisive action? ____
32. Can you shoulder responsibility without worry? ____
33. Do you control your temper and words? ____
34. Can you shed nonessential details? ____
35. Do you make enough time for self-development? ____
36. Is your will like "high-tempered steel"? ____
37. Is daily practice of your will power a habit? ____

G. CONCENTRATION

38. Do you train yourself to concentrate at will? ____
39. Are surroundings picked to favor concentration? ____
40. Does business study get undivided attention? ____
41. Can you concentrate for a long period? ____
42. Are you developing a clear, accurate, hard-thinking business mind? ____
43. Do you really "think" rather than kid yourself to believe you think? ____

H. SUGGESTION

44. Do you seek the value of positive ideas? ____
45. Do you avoid negative suggestions? ____
46. Is indifference allowed to hinder progress? ____
47. Do your manners serve as positive suggestions? ____
48. Do you use the power of self-suggestion? ____

I. TACT

49. Do you get along well with most people? ____
50. Do you try to "lead" rather than "boss"? ____

GRADE YOURSELF HERE

51. Do you avoid loss of temper and sarcasm? ____
52. Do you avoid hasty remarks that hurt others? ____
53. Do you always practice the highest courtesy? ____
54. Do you always express appreciation when due? ____

J. INTEREST

55. Are you deeply interested in your own work? ____
56. Do you make careful daily observation of your work to improve it? ____
57. Are you interested in the human problem of business management? ____
58. Do you observe people's features and study their characters? ____
59. Do you endeavor to read people's thoughts to anticipate their needs? ____
60. Have you a scientific interest in problems of modern business? ____
61. Are you yourself your greatest object of constructive study? ____

K. SINCERITY

62. Is your word as good as a bond? ____
63. Do you have high ideals of life and service? ____
64. Is your work interesting rather than routine? ____
65. Do you stand loyally by your deserving friends? ____
66. Are you sincere even though it sometimes results in apparent disadvantages? ____
67. Are you honest for other reasons than because "it pays"? ____
68. Do you practice what you demand from others? ____

L. ALERTNESS

69. Can you understand viewpoints of others? ____
70. Are you quick to understand instructions? ____
71. Are you known as a wide-awake person? ____

GRADE YOURSELF HERE

M. MEMORY

72. Is your memory excellent? ____

73. Do you train your memory for improvement? ____

74. Do you remember names as easily as faces? ____

75. Can you forget nonessential facts? ____

76. Do you depend on trained memory power rather than short-cut methods? ____

77. Do you consciously combat every tendency to absentmindedness? ____

N. EFFECTIVE SPEECH

78. Do you talk without hesitation? ____

79. Are your ideas clearly and logically organized? ____

80. Are you master of yourself? ____

81. If eating with superiors, are you at ease? ____

82. Do you convince people? ____

83. Do you secure the desired action from people? ____

O. INITIATIVE

84. Do you seek opportunities to better yourself? ____

85. Do you make plans to realize your goal? ____

86. Do you have to be "told" less than the average? ____

87. Do you make constructive suggestions freely? ____

88. Are you systematically developing your power of constructive imagination? ____

89. Are you right now thinking of how to profit by use of this chart? ____

90. Are you able to meet new situations with dispatch and confidence? ____

91. Does experience prove your ideas practical? ____

GRADE YOURSELF HERE

P. RELIABILITY

92. Are you known as a person who "gets things done"? ____

93. Are you trustworthy in little things? ____

94. Is your credit good at all times? ____

95. Do you keep your promises and appointments? ____

96. Are you reliable in all of your work? ____

97. Is your judgment so sound and reliable that it is sought by others? ____

98. Do you establish your "reliability" as thoroughly as your "ability"? ____

99. Do you deliver dependable results without supervision? ____

100. Are you absolutely loyal to your organization? ____

TOTAL POINTS

YOUR PERCENTAGE OF EFFICIENCY
(Divide above sum by 10)

SOURCE: Weirauch, B. "Self-Analysis for Salesmen." *Sales Management Guide*. Chicago: Dartnell Corp., 1973.

BUYING MOTIVES

Motives	Products
a. appetite	1. _____ tie
b. love of the opposite sex	2. _____ coffee pot
c. love of parents	3. _____ oil painting
d. love of children	4. _____ fire extinguisher
e. economy	5. _____ dress pattern
f. comfort	6. _____ vitamins
g. imitation	7. _____ diet bread
h. safety	8. _____ basketball
i. desire to be handy around the house	9. _____ diamond ring
j. beauty	10. _____ rental property
k. desire to be different; recognition	11. _____ watch
l. cleanliness	12. _____ steak
m. recreation	13. _____ box of chocolate candy
n. desire to make or save money	14. _____ perfume
o. fear	15. _____ camera
p. desire to build	16. _____ life insurance
q. desire to travel	17. _____ sports car
r. health	18. _____ door lock
s. competition	19. _____ snow tires
t. sociability	20. _____ garden tools
	21. _____ electric saw
	22. _____ women's cosmetics
	23. _____ fabric softener
	24. _____ model airplane kit
	25. _____ camping trailer

MODEL
ACTIVITY RESPONSES

Note to Instructor:

This section contains suggested responses for module activities. The instructor should use judgement for those activities where there is no single response.

MODEL ACTIVITY RESPONSES

Case Study

1. Juanita needs to understand that financing is essentially the "fuel" that runs a business. Without financing, there can be no business. It is also important that the right kind of financing be available to the business at the right time.

2. The two basic types of financing available are equity financing and debt financing. Juanita hasn't been able to save much money, and she probably wouldn't be able to open a business on the amount of money she has. There is the possibility, however, that one of her relatives may be willing to help with finances. She should check this option. Her other alternative is to use debt financing—or borrowing money to get started.

3. Juanita could try to get a loan from a bank, a credit union, a commercial or consumer finance company, a savings and loan institution, her insurance company, or the Small Business Administration. She might also consider financing her business by opening a franchise.

MODEL ACTIVITY RESPONSES

Dialing in on Legal Terms

Part I Key

1. contract
2. agreement
3. consideration
4. contractual capacity
5. legality
6. usury
7. exculpatory clauses
8. reality of consent

Part II Key

1. contractual capacity
2. agreement
3. usury
4. contract
5. consideration
6. reality of consent
7. legality
8. exculpatory clauses

MODEL ACTIVITY RESPONSE

Case Study

The project cannot be judged a total success. If they had not had problems, they might have been able to earn more money than they did. Also, the hard feelings that resulted from this project could carry over to future projects.

Gil needed to plan his purchases based on the amount of possible sales. To help with this planning, he could have done a small customer survey to determine colors that customers would like. He should have also used a schedule for work hours. Without such a schedule he could not be sure that employees would be at work when needed.

MODEL ACTIVITY RESPONSES

Individual Activity

1. managing
2. planning
3. motivating
4. controlling
5. hiring
6. knowledge and skill
7. compensation
8. productive
9. communications
10. health

Case Study

1. Charo needs to be convinced that there is more to hiring and managing her new employee than just sticking a "help wanted" sign in the window, putting an apron on the first person who walks in, and telling him or her what to do. Managing employees, also known as human resource management, involves understanding the many responsibilities and obligations of the employer to the employee and of employee to employer. The management process calls for planning, organizing, directing, and controlling all the activities that involve employees and promote their productivity. This process does not have to be so complicated that Charo cannot carry it out herself. However, she should understand the basics in order to have a successful relationship with her new employee.

2. The hiring process is one of the first steps to high employee morale. A key factor in successful operation of Charo's restaurant is matching the right job to the right person. If she matches a person with pastry-making skills with a job sweeping the floor, she is missing an opportunity and underutilizing her employee. In fact, the employee may quit unless allowed to use his or her skills and talents. Charo must learn how to determine the potential employee's skills and weaknesses so she can select the person best qualified to carry out the tasks she needs done. Once the employee has been hired, Charo must be sure the individual is handling the job effectively, and if not, communicate how improvement can be made. Finally, Charo must learn where to locate prospective employees. Sometimes placing a "help wanted" sign in the window can be effective, but she also needs to learn about other ways of advertising a job opening.

3. The six major responsibilities in managing employees are (a) hiring and placing new employees, (b) training employees to be productive, (c) compensating employees for their efforts, (d) helping employees maintain and improve their performance, (e) evaluating employees' performance, and (f) building relationships with employees.

4. Charo should become familiar with all the laws that regulate her business, or consult with someone who can advise her of all legal details. For example, her state may require each of her employees who work with food preparation to have a food handlers permit. She needs to be aware of such regulations. In general, however, as an employer, Charo is required to be responsive to the following guidelines regarding her employees.

   a. A reasonably safe and suitable place for employees to perform their jobs must be provided. An employee should not be exposed to undue risks and dangers while on the job.

   b. Safe and suitable tools, machinery, and appliances must be provided if they are called for on the job. If dangerous machinery is called for, employees must be instructed in their safe use, and the risks involved in careless use must be made clear to the employee.

   c. A work staff that is large enough to handle the work load must be hired. Otherwise, employees who are assigned more work than they can complete will become discouraged quickly and their attitudes will be poor.

MODEL ACTIVITY RESPONSE

Case Study

Since Sally wants to use a single-entry bookkeeping system, she can probably find a suitable ledger for her records at a local bookstore. Have the students design categories for all the possible debit and credit items that Sally might encounter in her business. Be sure that the students include categories such as total sales (in terms of cash, checks, and credit charges), and total expenses (in terms of supplies, operating expenses, and wages).

MODEL ACTIVITY RESPONSES

Case Study

THE LAWN AND GARDEN SHOP
Balance Sheet
December 31, 19–

Assets				Liabilities and Equity		
Current Assets				Current Liabilities		
Cash		$ 1,000		Accounts payable	$ 3,000	
Accounts receivable	$ 4,000			Notes payable	500	
Less allowance for doubtful accounts	400	3,600		Total Current Liabilities		$ 3,500
Inventory		3,000		Long Term Liabilities		
Total Current Assets			$ 7,600	Mortgage	$16,100	
				Total Long Term Liabilities		$16,100
Fixed Assets						
Land		$ 5,000		Total Liabilities		$19,600
Building	$30,000					
Less allowance for depreciation	5,000	25,000				
Equipment	6,000			Equity		
Less allowance for depreciation	1,000	5,000		Owner's equity		$23,000
Total Fixed Assets			$35,000			
				TOTAL LIABILITIES		
TOTAL ASSETS			$42,600	AND EQUITY		$42,600

THE LAWN AND GARDEN SHOP
Income Statement
For Period Ending December 31, 19–

Total Sales			
Cash sales		$15,000	
Credit sales		20,000	
Total Revenue			$35,000
Cost of Goods Sold			
Beginning inventory	$ 4,000		
Purchases	25,000		
Cost of goods available for sale		$29,000	
Less ending inventory		3,000	
Cost of goods sold			$26,000
Gross Margin			$ 9,000

Expenses		
Salaries and wages	$ 3,500	
Utilities	700	
Advertising	600	
Depreciation	200	
Total Expenses		$ 5,000
Net Profit Before Taxes		$ 4,000
Estimated Income Tax		1,100
Net Profit		$ 2,900

Solution:

1.

Ratio	The Lawn and Garden Shop	Industry Average
a. $\frac{\text{net profit}}{\text{equity}}$	12.6%	14.9%
b. $\frac{\text{net profit}}{\text{sales}}$	8.3%	5.0%
c. $\frac{\text{sales}}{\text{equity}}$	1.5%	3.4%
d. $\frac{\text{total revenue}}{\text{average inventory}}$	10 times	9.7 times
e. $\frac{\text{average collection}}{\text{period}}$	38 days	45 days
f. $\frac{\text{current assets}}{\text{current liabilities}}$	2.2	2.2

2. The following strengths and weaknesses of the Lawn and Garden Shop are based on the information obtained from the ratios calculated:

   a. The *net profit to equity ratio* shows that the return on investment for the Lawn and Garden Shop is lower than the industry average. This low return on investment can be caused by (1) a low gross margin or high operating costs, (2) a low volume of sales relative to the value of the investment in the business, or (3) a combination of both of these factors.

   b. The *net profit to sales ratio* shows that the margin of profit is very satisfactory relative to the industry as a whole. It can be assumed that the Lawn and Garden Shop has a sound pricing policy and that operating expenses have been kept in line.

   c. The *sales to equity ratio* shows that the volume of sales relative to the amount invested in the business is low compared to the industry average. This low figure is the reason for the somewhat low return on investment obtained by the Lawn and Garden Shop (all other ratios are satisfactory). In order to increase the sales to equity ratio, either more sales must be generated or investment in assets must be reduced.

MODEL ACTIVITY RESPONSE

Answer to individual activity

Net loss of granting credit = $430

Case Study

1. The basic credit management problem is that the managers of the sports store are aware of the need to provide credit of some type, but they don't have the capital available to extend large amounts of credit for a long time or to large numbers of customers.

2. Several important facts are the following:

   - Most of the customers are likely to expect credit since the other sports stores in the area offer credit.
   - While some of the products may be low profit items, some of the products are profitable enough to allow some margin for carrying credit.
   - Establishing a good sales record seems to be a high priority for the business.
   - Much of the capital is already tied up.

3. Some possible solutions are—

   a. to offer direct credit only to chosen customers,
   b. to honor one established credit card,
   c. to honor several established credit cards.

4. Possible results are—

   a. that some customers will be lost through refusal to give them credit,
   b. that some customers won't have that particular credit card,
   c. that the business will pay a large amount in fees to the credit card companies.

5. One possible answer is to use an established credit card and to take advantage of its collection services and its assistance in checking customer credit.

6. Since you would generally need to pay within a month for your inventory replacements, you might want to require payment in full within thirty days. Your credit limits might be quite low, but credit might be extended to many people who might qualify after a credit check.

MODEL ACTIVITY RESPONSES

Case Study

1. Examples of some risks that Jim faces.

   a. Delivery vehicle may wreck.
   b. Robbery is more likely with the late hours Speedy Pizza is open.
   c. He may accept payment with "bad" checks.
   d. There may be the possibility of employee theft.
   e. Additional crimes may occur (i.e., burglary).
   f. Customers may hurt themselves at the restaurant.

2. Speedy Pizza is probably more susceptible to robbery than any other business crime. This is due to the business being located in a small shopping center and staying open after all the other stores have closed.

3. Jim's insurance coverage is not adequate. He needs to purchase fire insurance on the business contents in addition to casualty and liability insurance. He will also need liability and collision insurance for his delivery vehicle.

MODEL
ASSESSMENT RESPONSES

Note to Instructor:

This section contains the questions and suggested answers to be used as an assessment of student competency at the completion of each module. These questions are the same as found at the end of each module.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. How does the Small Business Administration define a small business?

2. What are the traditional small business industries?

3. What does Schumpeter call "enterprises" and how do they contribute to the economy?

4. How do small businesses contribute to the American way of life?

5. What are some of the major factors contributing to the success of a small business?

MODEL ASSESSMENT RESPONSES

1. The SBA's definition of a small business is one that is individually owned and operated and that is not dominant in its field of operation. Additionally, the SBA defines small businesses by number of employees and annual sales revenues. The particulars vary depending on the industry in question.

2. The four major types of small business are wholesaling, services, retailing, and manufacturing.

3. Schumpeter calls "enterprises" the combinations of business established by individuals outside the circular flow of normal business transactions. These contribute to the economy by the creation of new products and services which create new wealth in the economy.

4. Small business is the principal "creator" of new wealth through its attraction for entrepreneurship. It also provides jobs for over 48 percent of the work force as well as supplying products and services to big business. It generates 66 percent of all new jobs in the work force.

5. Some of the most common reasons for business success might include an experienced entrepreneur; a good market position; sufficient capitalization; prior business planning; prior self-analysis of the entrepreneur's strengths and weaknesses; use of outside help to complement entrepreneur's weaknesses.

ASSESSMENT

Directions: Read the following questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to test you on them.

1. How does the economy grow?
2. How is entrepreneurship linked with the needs of the marketplace?
3. Can the "common good" be effectively served in an economy based on capitalism?
4. What is entrepreneurship?
5. What three types of skills are needed to run a company successfully?
6. What are some of the personality traits that successful entrepreneurs have?
7. What are some of the advantages of owning your own business?
8. What are some of the disadvantages of self-employment?
9. What are some of the advantages and disadvantages of being an employee?
10. What are some of the major reasons that successful entrepreneurs have for starting their own businesses?
11. Do successful entrepreneurs show a need and a skill for creativity and inventiveness in their jobs? Explain why entrepreneurship offers a place to use these kinds of skills.?
12. List the entrepreneurial skills and traits you have that you've developed through your personal interests, schooling, or job activities.

MODEL ASSESSMENT RESPONSES

1. New wealth is created by inventions and sales of: new products, processes, resources, or new combinations of these elements.

2. Successful entrepreneurship requires the introduction of products or services that fill a need in the marketplace.

3. The furthering of the "common good" can result from a free enterprise, capitalistic economy when those "higher" needs are expressed by the marketplace and fulfilled by entrepreneurs.

4. Entrepreneurship is the element of the American economic system that produces tomorrow's goods and services, at some risk to the entrepreneur, in anticipation of future market needs.

5. The three areas of skills needed to run a successful business venture include affective, cognitive, and manipulative skills.

6. Successful entrepreneurs exhibit: tough-mindedness; a willingness to work hard; a high degree of self-confidence; a willingness to take reasonable risks; flexibility; creative understanding of the needs of the marketplace; a sense of long-term goals; problem-solving skills; a desire for profit; and enthusiasm about their work.

7. Some of the advantages of owning your own business are: more money; independence; satisfaction of a personal need to achieve or compete; responsibility; ability to utilize creativity and innovativeness.

8. Some of the disadvantages of self-employment can be: economic failure; being beaten out by competition; involvement with government regulations and red-tape; working long hours; and high risk of investment capital.

9. Some advantages to being an employee could be: safe income; regular hours; guaranteed vacations; fringe benefits; self-satisfaction of working for a successful company. Some of the disadvantages of being an employee could be: restricted salary increases; lack of job security in later years; lack of job security in a recession; need to relocate at the desire of the company; and mandatory retirement.

10. Some of the major motivations expressed by successful entrepreneurs include: need to achieve; to be independent; to use creativity and innovativeness in daily work effort; and, need to compete.

11. Successful entrepreneurs exhibit a high need for and skill in using creativity and innovativeness. Being an entrepreneur offers a unique opportunity for the expression of creativity and innovativeness in that starting and running a new business is an act of creation and every decision can be the source of creativity and/or innovation.

12. The student should be able to give specific examples of having been or of being: tough-minded in making decisions that were based somewhat on intuition; a hard worker in completing a challenging and rewarding task; self-confident; a reasonable risk taker in endeavors that allowed some degree of control of the results by the student (not pure chance or lottery-type risks); flexible in dealing with the various facets of life or career; understanding of other people's needs; a long-term goal setter; an adept problem solver; motivated to make a profit from their endeavors; and/or enthusiastic in their intensity and focus for accomplishing goals.

ASSESSMENT

Directions: On a separate piece of paper, number from 1 to 16. Select the best answer for each of the statements below. Write the letter you select next to the number on your sheet of paper.

1. The primary reason for developing a Business Plan is—

   a. to determine whether the proposed business promises to be profitable.
   b. to provide records for federal income tax returns.
   c. to help entrepreneurs decide how to go about purchasing a franchise.

2. Lending agencies (like banks) review Business Plans—

   a. in order to open a new account for the proposed business.
   b. in order to provide a credit rating for the new business.
   c. in order to determine whether to lend money for a new business.

3. Once a Business Plan is completed—

   a. it is too late to make adjustments before the business opens.
   b. the business location is firm.
   c. changes are still possible on paper before the business opens.

4. A Projected Income Statement—

   a. estimates how profitable a business will be.
   b. identifies sources of investment money for your business.
   c. is a guide to follow in managing your business.

Complete the following statement by filling in the blanks (write your answers on your sheet of paper):

5. The financial part of a Business Plan answers two major questions:

   a.

   b.

Identify the parts of a Business Plan by matching the parts in the right-hand column below with the questions in the left-hand column. Place the correct letter from the right column on your sheet. The numbers of the questions should match the numbers on your sheet of paper. The parts may apply to several questions.

6. How shall we attract customers?	a. Marketable product or service
7. What shall we sell?	b. Marketing plan
8. What is the competition?	c. Financial plan
9. How much will it cost to get started	d. Organization plan
10. Is additional money needed?	
11. What will our expenses be?	
12. Who will buy our product or service?	
13. What will our sales volume be?	
14. Where shall we locate the business?	
15. Does the business promise to be profitable?	
16. What form of organization is best for us?	

MODEL ASSESSMENT RESPONSES

Multiple Choice Questions

1. a. The reasons in b. and c. are not in any way appropriate.

2. c. The reason banks review Business Plans is to determine whether the business promises to be profitable, so they can assess the risk involved in lending the entrepreneur money.

3. c. One of the benefits of the Business Plan is that it calls attention to the places where adjustments are needed while the plan is still on paper.

4. a. The Projected Income Statement estimates sales, cost of goods sold, gross profit operating expenses, and net profit—in order to anticipate how profitable the business promises to be.

5. a. How much profit does the business promise to make?
   b. How much money does the entrepreneur need to open and operate the business until it shows a profit?

Matching Questions

The questions should be classified into categories, as follows:

a. Marketable product or service
b. Marketing plan
c. Financial plan
d. Organization plan

6. b How shall we attract customers?
7. a What shall we sell?
8. b What is the competition?
9. c How much will it cost to get started?
10. c Is additional money needed?
11. c What will our expenses be?
12. b Who will buy our product or services?
13. c What will our sales volume be?
14. b Where shall we locate the business?
15. c Does the business promise to be profitable?
16. d What form of organization is best for us?

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of these topics. When you feel prepared, ask your instructor to assess your competency on them.

Explain in one or two paragraphs each of the following statements:

1. Technical assistance provides the entrepreneur with access to experience.
2. All the tasks the entrepreneur will need to perform can be classified into two broad categories.
3. The most comprehensive franchises provide much of the technical assistance needed by the small entrepreneur.
4. Although franchises often provide a great deal of technical assistance, they also limit your freedom to be your own boss.
5. For many years, farmers have found that joining a cooperative is a good idea.
6. Some companies employ a buying group to purchase products for them in central markets.
7. Business associations usually hold meetings and annual trade shows that can provide technical assistance to members.
8. A number of federal government agencies provide information to entrepreneurs at little or no cost.
9. Entrepreneurship education is a growing field of study today.
10. A listing of sources for technical assistance would be incomplete without mentioning your competitors as a source of help.
11. Opening or managing a small business will demand the services of professionals from the community.
12. Some professional services will be available without charge because the technical specialist wants to sell you a product or service.
13. Publications are an effective way of keeping up to date with changes in technology within your industry.

For further information, consult the lists of sources in the *Resource Guide*.

MODEL ASSESSMENT RESPONSES

1. Technical assistance provides the entrepreneur with access to experience. As the entrepreneur begins a new business, he or she will probably not have all the knowledge or skills needed to open and be successful. This is not unusual. Being aware of the wealth of technical assistance available is like having experienced advisers standing by to help you solve every problem.

2. All of the tasks the entrepreneur will need to perform can be classified into two broad categories. The two broad categories are: (1) the tasks you must do before the business opens and (2) the things you must do after it is operating. Before the business opens, you need to decide whether you would be a good entrepreneur, to identify a promising business opportunity, and to develop a business plan. After the business is operating, you need to manage the business.

3. If you own a franchise, you will be provided with much of the technical assistance needed by the small entrepreneur. These franchises provide your firm with its name, the logo, the manufacturing process, the advertising and sales promotion plan, and the operational plan.

4. Although franchises often provide a great deal of technical assistance, they also limit your freedom to be your own boss. The entrepreneur must operate according to the requirements of the franchise. The more assistance you get from the franchise, the less free you are to do your own thing. This may be frustrating to the entrepreneur who is creative and wants to try out new ideas.

5. Farmers, because of their isolation and limited staff, and because they are often located a good distance from where their products are sold, often find it to their advantage to join with other farmers in a cooperative. Membership in a cooperative allows them to store their products in large quantities and save storage costs. It also provides a marketing outlet and allows them to share sales promotion costs with other farmers.

6. Some companies employ a buying group to purchase products for them in central markets. Because of fast changing styles or perishable produce, some purchases must be made quickly by buyers who are on the spot at the moment a product becomes available. Since it is usually impossible for each company to have a buyer in the marketplace, the company owner may join a buying group. The buying office employs buyers in the central markets who purchase as instructed by the member companies.

7. Business associations usually hold meetings and annual trade shows that can provide technical assistance to members. These events are excellent ways to keep up with what is new in your industry and for talking to competitors and suppliers who can help you find answers to your problems.

8. A number of federal government agencies provide information to entrepreneurs at little or no cost. The Small Business Administration devotes all of its vast staff and resources to helping small business owners. The U.S. Department of Commerce provides a number of helpful publications and helps minority individuals develop their business plans and find the money to open their businesses.

9. Entrepreneurship education is a growing field of study today. Hundreds of courses are springing up in secondary and postsecondary schools, in vocational and technical schools, and in universities and colleges. Several private institutions for preparing entrepreneurs have sprung up recently.

10. A listing of sources of technical assistance would be incomplete without mentioning your competitors as a source of help. The value of "talking it over" with someone who is also in the business can provide outside opinions to aid in decision making. Successful competitors may not want to share all their secrets with you, but they are usually pleased to help you with most technical matters.

11. Opening or managing a small business will demand the services of professionals from the community. The entrepreneur will need the help of a banker or investment firm representative to advise on financing the business. The legal aspects of the business should be handled by a lawyer. Accountants are needed to set up recordkeeping systems, to develop financial records, and to prepare income tax returns. Professional consultants are needed for technical assistance related to manufacturing, marketing, financing, or managing.

12. Some professional services will be available without charge because the technical specialist wants to sell you a product or service. Business representatives such as bankers, insurance representatives, and suppliers do not charge for the advice they give you because they are hoping you will be grateful for their assistance and become their customer.

13. Publications provide an effective means of keeping up to date with changes in technology within your industry. Because they are published monthly or annually, they will be more likely to contain the latest methods for your industry. Books that are published recently must include up-to-date technology if the publishers expect to sell them.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to test your competency on them.

1. Identify the five types of ownership discussed in this unit.
2. Identify at least two advantages and disadvantages of each type of ownership (excluding cooperatives) discussed in this unit.

MODEL ASSESSMENT RESPONSE

ADVANTAGES/DISADVANTAGES OF TYPES OF OWNERSHIP

FORMS OF OWNERSHIP	ADVANTAGES	DISADVANTAGES
Sole Proprietorship	1. Low start-up costs 2. Greatest freedom from regulation 3. Owner in direct control 4. Minimal working capital requirements 5. Tax advantage to small owner 6. All profits to owner	1. Unlimited liability 2. Lack of continuity 3. Difficulty in raising capital
Partnership	1. Ease of formation 2. Low start-up costs 3. Additional sources of venture capital 4. Broader management base 5. Possible tax advantage 6. Limited outside regulation	1. Unlimited liability 2. Lack of continuity 3. Divided authority 4. Difficulty in raising additional capital 5. Difficulty in finding suitable partners
Corporation	1. Limited liability 2. Specialized management 3. Transferable ownership 4. Continuous existence 5. Legal entity 6. Possible tax advantages 7. Ease of raising capital	1. Close regulation 2. Most expensive form to organize 3. Charter restrictions 4. Extensive recordkeeping 5. Double taxation
Franchise	1. Smaller than usual capital investment 2. Less working capital than normally required 3. Prior public acceptance of product or service 4. Management assistance 5. Better than average profit margins	1. Possible high franchisor fees, supplies, and charges 2. Some loss of independence 3. Possible difficulties in cancelling contracts

SOURCE: Adapted from Kuebbeler, Gary L. *Going into Business for Yourself.* Columbus: Ohio Distributive Education Materials Lab., The Ohio State University, n.d.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. Explain why businesses should be concerned with customer satisfaction.
2. Explain what marketing is.
3. List the eight major functions of marketing.
4. Describe the responsibility of consumers when they buy products or services from a business.
5. Discuss the effect of the "free" market system on decisions made by businesses and decisions made by consumers.

MODEL ASSESSMENT RESPONSES

1. Businesses are in a buyer's market. In order to get customers to buy their products and pay reasonable prices, businesses must understand customer needs. Satisfied customers will continue to return to the business to buy more products.

2. Marketing includes all of the activities involved in exchanging products and services between producers and consumers.

3. Product development, exchanging, transporting, storing, financing, pricing, communication, and information analysis.

4. Customers may be responsible for providing some of the marketing functions. They need to help businesses determine what to produce and sell by informing business people about what they like and don't like.

5. The free market system may not be efficient because businesses can produce any product they choose and consumers can spend their money in any way they choose. Supply and demand determines what products will be successful and what prices will be charged.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to assess your competency in these areas.

1. Explain the importance of selecting the right business site.
2. List at least three general and three specific factors to consider when selecting a business location.
3. What factors determine how appropriate the five types of business locations are for a specific business?

MODEL ASSESSMENT RESPONSES

1. Selecting the right business site is important because studies have indicated that location is one of the major factors contributing to business success. A good business location will increase sales and reduce overall operating costs. Selecting the right business site is important since it may be made only once in the life of the business.

2. Three general factors to consider when selecting a business location are economics, population, and competition. Specific factors to consider include the type of business and the nature of the product. Retail, wholesale, service, and manufacturing firms each have unique location considerations. Different types of consumer goods, services, and industrial products affect the suitability of business locations.

3. The first factor that determines the appropriateness of the four types of business locations is the type of business. Retail and service firms are successful in central shopping districts, neighborhood shopping areas, and shopping centers. Wholesalers and manufacturers are not as suited to these areas. The outskirts of towns and cities or industrial parks are more suitable for these businesses. A second factor to consider when evaluating business locations is the nature of the product. Some products and services must be provided at the customer's residence or place of business while others are best provided at the seller's business. Businesses selling products and services of the former type need not be as concerned about attracting customers.

ASSESSMENT

Directions: Read the following questions concerning financing the business. They are for you to check your knowledge about this topic. When you feel ready, ask your instructor to assess your knowledge on them.

1. Explain the importance of financing to the success of a new business.

2. List the three main types of costs and expenses that are necessary to start a new business.

3. Explain the two major methods of financing a new business.

4. Identify the various sources for obtaining the money needed to finance a new business.

5. List the three financial statements that should be included in a business plan.

MODEL ASSESSMENT RESPONSES

1. For any business to succeed, it must be properly financed. Money is needed to establish the proper location, construct the proper facility, buy the necessary merchandise, purchase advertising, and many other essential supplies and services.

2. The three main types of costs and expenses that are necessary to start a new business are start-up costs, operating expenses, and personal expenses.

3. The two major methods of financing a business are equity financing (personal investment) and debt financing (borrowing).

4. Equity financing comes from personal savings of the owner, family, friends, partners, sale of stock, and venture capital. Debt financing possibilities include any person or organization that lends money (banks, credit unions, finance companies, life insurance companies, savings and loans, etc.). Government agencies make small business loans. Answers may include franchises, trade credit, factors, and any other creative source of funding.

5. The three financial statements that should be included in a business plan are the profit and loss statement, the cash flow statement, and the balance sheet.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of these topics. When you feel prepared, ask your instructor to assess your competency on them.

1. Describe why a basic understanding of legal issues is important to the small business owner.
2. Define the term "contract."
3. Identify the conditions that call for a written contract.
4. Name the five essentials of a contract. Describe what is meant by each essential.

MODEL ASSESSMENT RESPONSES

1. The small business owner needs to develop a basic understanding of personal and professional legal obligations. In addition, the small business owner needs to know when to seek legal advice and where to get it.

2. A contract is a mutual agreement made between two or more persons that is valid and enforceable by law.

3. a. Any contract for the sale of land or an interest in land.

   b. Any contract that will not be performed within one year.

   c. A promise by one person to pay the debt of another.

   d. Any contract that involves the purchase of real property valued at $500 or more.

4. The five essentials of a contract are: agreement, consideration, contractual capacity, legality, and reality of consent.

   a. Agreement refers to a reasonably definite understanding between the parties. Intent to contract, reasonable definiteness, and communication are necessary for this essential.

   b. Consideration is something of value that is given to the offeror by the offeree.

   c. Contractual capacity refers to the ability to enter into a contract. Minors and individuals who made contracts during periods when they were judged insane or were so intoxicated that they did not understand the terms of the contract can void such agreements.

   d. Legality. Contracts in violation of the law are not enforceable.

   e. Reality of consent is missing when the agreement is tainted with fraud, innocent misrepresentation, or mistakes.

ASSESSMENT

Directions: Read the following items to check your own knowledge of these topics. When you feel prepared, ask your instructor to test you on them.

1. Summarize the importance of government rules and regulations that affect small business owners.
2. Identify who makes the regulations.
3. Describe the effects that regulations have on small businesses.
4. List at least three groups protected by the government regulations.
5. Explain the use of licenses and permits.
6. Explain at least two types of taxes at the federal, state, and local levels that affect small businesses.

MODEL ASSESSMENT RESPONSES

1. Government rules and regulations are important to small business because—

   a. a purpose of regulations is to maintain a healthy business environment,
   b. all levels of government act as sources of regulation,
   c. the impact on small business is felt in the paperwork and cost burden of regulations.

2. The source of regulations is the government. Federal, state, and local governments develop and enforce regulations in their jurisdictions.

3. Regulations have a positive impact on small business. The encouragement of fair competition is important to small business. A major negative impact is the large amount of paperwork and the costs involved in following the regulations.

4. The governmental regulations are written to protect (1) competition, (2) employees, (3) consumers, (4) the environment.

5. Licenses and permits are used to control the entry and operation of businesses in many commercial ventures. Licenses and permits are commonly required in fields where the health and safety of the public are concerned. Licenses and permits are required in fields where competition is restricted. Cable television, telephone companies, and radio stations are examples.

6. Federal taxes would include: Social Security, individual income, corporate income, and payroll. State taxes would include income, sales, and unemployment. Local taxes would include property, income, sales.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this PACE unit. When you feel prepared, ask your instructor to assess your competency.

1. Identify the manager's primary task in a business.
2. Identify the five steps in the decision-making process.
3. Identify how and where an entrepreneur can get the information needed to make informed decisions.
4. Name and describe the functions of management.
5. Identify rewards that management offers potential entrepreneurs.

MODEL ASSESSMENT RESPONSES

1. The manager's primary task is to plan and direct the work of others in a way that allows the business to reach its goals.

2. Steps involved in making business decisions include the following: (a) identify the problem, (b) define alternative solutions, (c) gather facts about alternatives, (d) evaluate alternatives to pick the best solution, and (e) formulate a plan of action.

3. To make decisions, entrepreneurs can get needed information by brainstorming, asking colleagues, conducting market research, and hiring a consultant.

4. Management functions include the following: (a) planning the work—setting goals and objectives, (b) organizing the work—tasks to be performed, people and equipment needed to implement plans identified, (c) directing—putting the plan into action, and (d) controlling and evaluating work—monitoring the effectiveness of plans.

5. Management offers entrepreneurs (a) the personal satisfaction realized from the successful operation of their business because of *their* own decisions, (b) the ability to exercise all of their managerial skills and talents, not just those skills required to do a single job, and (c) the opportunity to deal with a wide variety of people on different levels. The inherent rewards include freedom to make decisions, challenge of being in control, and the possibility of unlimited success.

ASSESSMENT

Directions. Read the following questions concerning managing human resources. They are provided for you to check your knowledge about this topic. When you feel ready, ask your instructor to assess your knowledge on them.

1. Define human resource management.
2. Explain the importance of human resource management as it relates to the success of a business.
3. Identify at least six responsibility areas that make up human resource management.
4. Describe the obligations employers have to employees.

MODEL ASSESSMENT RESPONSES

1. Human resource management is the process of planning, organizing, directing, and controlling all the activities that involve employees and promote their productivity.

2. Human resources are a costly resource that determines the success or failure of a business. The employees of a business (also known as the human resources) are the key to success or failure of that organization. The quality of their work determines whether the business has a good or poor image. At the same time, most small businesses must use a large part of their profits to pay the employees who keep the business running. The entrepreneur must get his or her money's worth from the employee, or the business may lose money and have to close. In general then, human resource management is important because of its direct and indirect effects on the success of the business. Without productive employees, it is difficult for a business to succeed.

3. The six major responsibility areas that make up human resource management are (a) hiring and placing new workers, (b) training workers to be productive, (c) compensating workers for their efforts, (d) helping workers maintain and improve their performance, (e) evaluating workers' performance, and (f) building relationships with workers.

4. There are many laws regulating a business. However, regardless of occupation, certain basic employment guidelines are established by law. Here are those guidelines:

   - The employer must provide a reasonably safe and suitable place for employees to perform their jobs. What constitutes a "reasonably safe and suitable place" should be determined by the nature of the work and the dangers that are common to that particular job. An employee should not be exposed to undue risks and dangers.

   - The employer must provide employees with safe and suitable tools, machinery, and appliances to use in completing their assigned jobs. If dangerous machinery is used, appropriate safeguards must be taken. The employer must instruct inexperienced employees on the use of dangerous machinery and the risk involved in careless use.

   - The employer must have a work staff that is large enough to handle the work load. Nothing will ruin employees' work attitudes faster than being assigned more work than they can complete.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. Define promotion.
2. List the five major promotional methods and describe one advantage of each method.
3. Justify the following statement: "Promotion needs to be planned at the same time that other marketing decisions are made."
4. List, in order, the five steps involved in promotional planning and give an example of each step.
5. Describe the need for an effective public relations program for a new small business.

MODEL ASSESSMENT RESPONSES

1. All of the activities of a business that inform consumers about products and services.

2. Advertising—delivers messages to large numbers of people at a low cost.
   Personal selling—delivers specific messages to meet the needs of individuals.
   Sales promotion—provides direct incentives to customers to encourage them to purchase.
   Publicity—provides information to consumers at almost no cost.
   Public relations—maintains a positive image of the company within the community.

3. Promotion communicates with consumers about the product or service being sold. As the strengths of a product are identified, promotion should be planned to communicate those strengths.

4. • Decide with whom the company wants to communicate (for example, people who have just moved into the city).
   • Determine the information they need to make a good decision (for example, location of the business and type of products sold).
   • Select the methods to use (advertising).
   • Select the best media (for example, direct mail).
   • Set the budget (for example, $750).

5. A public relations program helps to develop a positive image for the business in the community. If a public relations program is not developed, the business will be unable to control the type of image it receives.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of these topics. When you feel prepared, ask your instructor to assess your competency on them.

1. Discuss why selling is important to every business.
2. Customers are motivated to make purchases for many reasons. Describe the differences between basic needs and secondary wants.
3. Describe some of the characteristics needed by the salesperson to sell product(s) and/or service(s) successfully.

MODEL ASSESSMENT RESPONSES

1. Entrepreneurs should understand the importance of selling. It affects all types of businesses. In today's market, entrepreneurs sell ideas, services, products, and personalities. If a firm cannot sell its products/services, it will not make a profit, and the business will fail. Whether or not a business is successful is determined by its profit or loss.

2. Both basic needs and secondary wants may be classified as buying motives. However, there are differences between the two. Basic needs may be thought of as essential to our human nature. Everyone has basic needs that must be met. These needs include food, water, rest, security, self-esteem, social need for love and affection, etc. On the other hand, secondary wants are buying motives that have been learned. These motives include a desire for such things as bargains, convenience, efficiency, dependability, style, cleanliness, etc.

3. There are many characteristics of successful salespeople. Successful salespeople have the ability to get along well with people. They have a desire to serve others, and make every effort to satisfy their customers. They are able to tailor their selling techniques to the personalities of the prospective buyer. They have respect for each customer's needs and wants.

   Successful salespeople usually demonstrate such attributes as pride, dependability, initiative, and honesty. They also have the ability to communicate. This ability comes from gaining experience, assessing your strengths and weaknesses, and knowing about the product or service you are selling.

ASSESSMENT Directions: Read the following questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to test you.

1. Describe why a small business firm needs to keep records.
2. Identify six elements of a sound recordkeeping system.
3. Explain the difference between a single-entry recordkeeping system and a double-entry system.
4. Use the following information to complete the bank reconciliation statement shown in figure 7. Write your answers on a separate piece of paper.

Bank statement balance	$2,760.00
Deposits not credited	$ 780.00
	640.00
	940.00
Outstanding checks	$ 50.00
	1,002.00
	35.00
Balance shown on the last check stub	$4,035.00
Bank service charge	$ 2.00

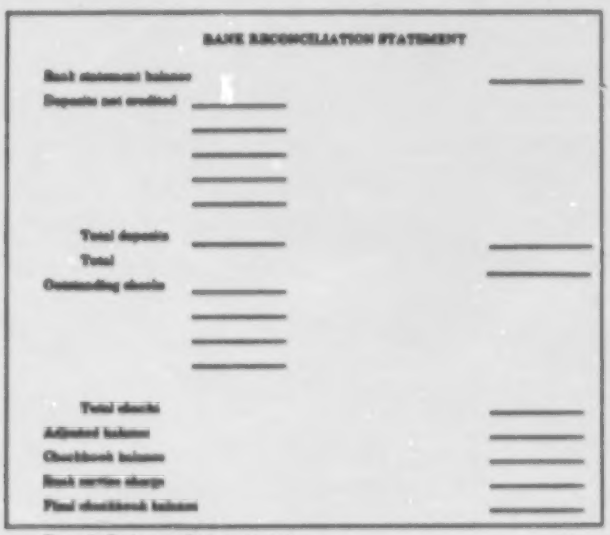


Figure 7. Bank reconciliation statement (Check your answer against figure 6.)

5. Specify the information that should be included on an accounts receivable record.
6. Identify and describe the basic information that employee records should include.

MODEL ASSESSMENT RESPONSES

1. Records are needed to—

   - keep in touch with the day-to-day, week-to-week, and month-to-month operations of the business;
   - help spot business trends such as peaks and valleys in sales, operating costs, inventory levels, and credit totals;
   - help keep control of costs and develop realistic, competitive, profit producing prices, help plug profit drains such as theft, inadequate cost controls, and other factors;
   - obtain financing from banks or other lending institutions;
   - fulfill tax and other legal obligations;
   - provide information for business investors, potential investors, or persons who might wish to buy the business;
   - control investments in inventory, accounts receivable, buildings, and equipment.

2. Six elements of a sound recordkeeping system are that it be simple to use, easy to understand, reliable, accurate, consistent, and designed to provide information on a timely basis.

3. A single-entry bookkeeping system records transactions only once. Double-entry systems involve recording each item in two different places (such as ledgers, journals, or cards) and in two different ways (by means of a debit and credit).

4. Have the students check their figures against those in figure 6.

5. The accounts receivable record should include items such as the customer's name, address, and phone; the date and amount of each credit transaction; the date and amount of any payments; and the current account balance.

6. Employee records should include the following:

   - Total hours worked
   - Total wages earned
   - Overtime earnings
   - Deductions
   - State unemployment insurance
   - State disability insurance
   - Federal income taxes
   - Social Security taxes
   - State and/or local taxes
   - Other deductions

ASSESSMENT

Directions: Read the following assessment questions. When you feel prepared to respond to them, ask your instructor to assess your competency

1. Discuss three advantages to a business manager/owner of preparing a balance sheet.
2. Explain the formula used to prepare a balance sheet.
3. Identify three examples of current assets and three examples of fixed assets.
4. Give three examples of a current liability and three examples of a fixed liability.
5. Give a definition of net worth for a single proprietorship, for a partnership, and for a corporation.
6. List five major components of a profit and loss statement.
7. Tell how to calculate the cost of goods sold for a retail business.
8. Explain how the gross margin differs from the the net profit.
9. Give formula for calculating each of the following financial ratios.
    a. Return on investment
    b. Net profit on sales
    c. Sales to equity
    d. Inventory turnover
    e. Current ratio
10. List three sources for locating financial ratio data.
11. Identify the three electronic information processing activities related to financial management.

MODEL ASSESSMENT RESPONSES

1. Three advantages of preparing a balance sheet for a manager/owner are (a) the availability of necessary financial data, (b) the determination of financial strengths and weaknesses of the firm, and (c) the planning and taking of necessary corrective action.

2. The formula for preparing a balance sheet is assets equal liabilities plus net worth.

3. Three examples of current assets are (a) cash, (b) accounts receivable, and (c) inventory. Three examples of fixed assets are (a) land, (b) buildings, and (c) equipment.

4. Three examples of current liabilities are (a) taxes, (b) loans, and (c) bills due within twelve months. An example of a fixed liability would be a mortgage due beyond twelve months.

5. Net worth for a single proprietorship is the owner's investment. For a partnership it is the partner's investment. For a corporation it is the stock investment.

6. Five major components of a profit and loss statement include (a) the total sales, (b) the cost of goods sold, (c) the gross profit, (d) expenses, and (e) net profit.

7. The cost of goods sold can be calculated by taking a beginning inventory, adding materials or products purchased, and subtracting the inventory remaining at the end of the accounting period.

8. The gross profit differs from the net profit because operating expenses have not been deducted from the gross profit.

9. The formulas for calculating the ratios are as follows:

   a. Return on investment = $\frac{\text{Net Profit}}{\text{Equity}}$

   b. Net profit on sales = $\frac{\text{Net Profit}}{\text{Sales}}$

   c. Sales to equity = $\frac{\text{Sales}}{\text{Equity}}$

   d. Inventory turnover = $\frac{\text{Total Revenue}}{\text{Average Inventory}}$

   e. Current ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

10. Three sources for locating financial ratio data are (a) Key Business Ratios published by Dun and Bradstreet, Inc., (b) Statement Studies published by Robert Morris Associates, and (c) various trade associations.

11. The three electronic information processing activities that relate to financial management are (a) input, (b) manipulation, and (c) output activities.

ASSESSMENT

Directions: Review the following statements to check your own knowledge of these topics. When you feel prepared, ask your instructor to assess your competency on them.

1. Identify and discuss five reasons why a business would grant credit to customers.
2. Identify and discuss four factors that would influence how easy-going a credit policy should be for a certain type of business.
3. Explain the three "C" credit evaluation guidelines. Discuss how important each is when evaluating a credit applicant.
4. List eight types of information that could be included on a credit application.
5. Discuss three procedures to follow when rejecting a credit application.
6. Explain four procedures normally followed by a business when using a credit card plan.
7. Identify the three parts of a simple formula that can be used to calculate the benefits of offering credit.
8. Identify four costs that a business may have when granting direct credit.

MODEL ASSESSMENT RESPONSES

1. Reasons why businesses grant credit to customers include (a) charge accounts create customer loyalty, (b) credit customers may be less price conscious, (c) credit customers buy more freely, (d) credit may attract a preferred trade, (e) credit builds goodwill, and (f) credit helps smooth out business peaks.

2. The discussion regarding how "easy going" a credit policy should be could focus upon (a) policies of competitors, (b) the dependence upon credit for necessary sales volume, (c) the ability of the firm to handle credit financially, and (d) the time available for collection work.

3. The three "C" credit evaluation guidelines are (a) character, (b) capacity, and (c) capital. Character is usually considered to be the most important guideline of the three.

4. A credit application contains such information as (a) current address, (b) employment history, (c) current position, (d) salary and other income, (e) time on job, (f) job security, (g) monthly obligations, and (h) number of dependents.

5. If rejected as a credit applicant, a person is generally informed by a tactful letter. Applicants are told reasons for the denial, or they can request such information if they wish.

6. When using a credit card plan the firm (a) may negotiate the charge for service, (b) can have an authorization line for the store established, (c) can check with the credit card company concerning a customer's credit standing, and (d) is responsible to check the authenticity of the customer's signature.

7. The formula for calculating the benefits of credit is: the amount of business that you think credit alone brings multiplied by the present net profit you made on the business minus the cost of providing credit.

8. Four costs of granting direct credit include (a) billing customers, (b) credit or reference checks, (c) credit losses, and (d) money tied up in credit.

ASSESSMENT

Directions: read the following assessment questions to check your own knowledge of this topic. When you feel prepared, ask your instructor to assess your competency on them.

1. List and discuss the most common types of crime that entrepreneurs face.

2. Identify and discuss risks (other than crime) that entrepreneurs face.

3. Explain why entrepreneurs need to develop a protection plan for their business.

4. Identify two major strategies that entrepreneurs can use to protect themselves against losses from risks.

MODEL ASSESSMENT RESPONSES

1. The most common crimes that an entrepreneur faces include shoplifting, bad checks, employee theft, vendor theft, robbery, and burglary.

2. Entrepreneurs face losses from changing economic conditions as well as changing competitive environments. Losses can also result from fire, other natural disasters, bad debt losses, personal injury, and product liability.

3. Lack of a protection plan can contribute to the failure of a business. Without such a plan, an entrepreneur could lose all she or he built over the years. Business losses can be minimized with an effective business protection plan.

4. To protect against losses, an entrepreneur can practice sound business management techniques supplemented by an adequate insurance program.

SELECTED CURRICULUM RESOURCES

Note to Instructor:
See extensive resource lists in the PACE (Revised) *Resource Guide*.

SELECTED CURRICULUM RESOURCES

American Association of Community and Junior Colleges. *Four Modules in Small Business: Student Guidebook*. Washington, DC: American Association of Community and Junior Colleges.

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Getting Down to Business: Dairy Farming. Module 6.

Getting Down to Business: Bicycle Store. Module 10.

Getting Down to Business: Flower and Plant Store. Module 11.

Getting Down to Business: Innkeeping. Module 13.

Getting Down to Business: Nursing Service. Module 14.

Getting Down to Business: Wheelchair Transportation Service. Module 15.

Getting Down to Business: Health Spa. Module 16.

Getting Down to Business: Housecleaning Service. Module 24.

Getting Down to Business: Sewing Service. Module 25.

Getting Down to Business: Home Attendant Service. Module 26.

Getting Down to Business: Guard Service. Module 27.

Getting Down to Business: Pest Control. Module 28.

(Entrepreneurship Training Components continued)

Getting Down to Business: Energy Specialist. Module 29.

Getting Down to Business: Auto Repair Shop. Module 31.

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Unit 3. Developing the Business Plan

Unit 4. Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

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